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Office of Income Taxation

Communications & Training Branch



# Residency Tax Issues

Kentucky Forms 740-NP & 740-NP-R

# **Residency Tax Issues**

## **Kentucky Forms 740-NP & 740-NP-R**

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## DISCLAIMER

Every effort and care has been taken in the preparation of this manual. However, the possibility of mechanical and/or human error does exist. The information provided is for educational purposes only and nothing herein constitutes the provision of legal advice or services.

In the event that any information in this manual is later determined to be in error, this manual cannot be used by taxpayers in supporting a specific position or issue before the Department of Revenue as it does not have the statutory and regulatory authority.

## **Residency Issues**

### **Form 740-NP**

Form 740-NP is used by taxpayers who are full-year nonresidents and taxpayers who have moved into or out of Kentucky during the year. Form 740-NP must be used by full-year nonresidents who had income from Kentucky sources and by part-year residents who had income while a Kentucky resident or from Kentucky sources while a nonresident.

When determining who should file a 740-NP, you must first determine the taxpayer's residency status with the Commonwealth of Kentucky.

### **Definition of Residency**

**KRS 141.010(17)** states "'Resident' means an individual **domiciled** within this state or an individual who is not domiciled in this state, but maintains a place of abode in this state and spends in the aggregate **more than one-hundred eighty-three (183) days** of the taxable year in this state; . . ."

**KRS 141.010(18)** states "'Nonresident' means any individual not a resident of this state;. . ."

To be a nonresident, a person must not have a permanent residence in Kentucky and must spend fewer than 183 days in Kentucky. If a person establishes a temporary residence in the state and spends more than 183 days in Kentucky during the taxable year, he is considered a Kentucky resident for income tax purposes from the time such person moved into Kentucky.

**103 KAR 17:060** states that individuals are taxed based on the following residency situations:

- Residents – Entire net income of a full-year resident is subject to tax regardless of the source. (File **Form 740** or **740-EZ**).
- Nonresidents – All income from a Kentucky source is subject to tax. Incomes from sources outside of Kentucky are not subject to tax, nor are losses incurred outside Kentucky deductible.
  - Income from Kentucky sources is defined as income from all real property and tangible property located in Kentucky, income from intangible property which has a business situs (presence) in this state, and income from business, trade, profession, occupation or other activities carried on in this state, including Kentucky gambling winnings.
- New Resident – A resident moving into Kentucky during the year is subject to tax on income received from Kentucky sources prior to becoming a resident and on income from all sources after becoming a resident.
- Taxpayers Leaving Kentucky – A resident moving out of Kentucky during the year is subject to tax on income received from all sources while a resident and from Kentucky sources while a nonresident.

***Audit Tip:***

*It is the Department's position that college students who are domiciled outside Kentucky and in fact pay out-of-state tuition, will be considered Kentucky residents if they have spent more than 183 days in Kentucky during the taxable year.*

## Domicile

Generally, a domicile is the place where an individual has established permanent residence. Once obtained, domicile continues until a new one is acquired. Domicile is not changed by an individual leaving the residence for a definite period or for incidental purposes. An individual can only have one place of domicile, but it is possible for a person to have established taxable residency status in more than one state for income tax purposes.

Determining a person's domicile can be very difficult. To constitute a change of domicile there must be a new abode, actual removal, and intent to change (**Regulation 103 KAR 17:010, Section 3**).

**(1) New Abode**—an abode is a place where one “dwells, lives or stays.” This is the easiest to determine because it addresses the fact that an individual must establish a new place to live to change domicile. However, in order for domicile to be impacted, the taxpayer's change in where they are living must be a permanent change.

**(2) Actual Removal**—has the individual moved them self from the residence and into the new residence? Did they move their personal belongings into the new residence? Did they dispose of the old residence?

**(3) Intent of Change**—determining intent of change is the most difficult of the criteria to evaluate because there is no set method for making this determination. You must look at as many factors as you can to get a clear picture of the individual's intent.

## Intent of Change – Factors

The following are some of the factors that may be considered when making the determination if a taxpayer has established intent to change:

- 1) Where does the individual say their domicile is located? What is the history of their story?
- 2) Where do they work and what are the circumstances of their employment? Where is their permanent place of employment? Do the circumstances of their new abode revolve around temporary employment?
- 3) Where are they registered to vote?
- 4) Where do they have their motor vehicle licensed?
- 5) In what state do they have their driver's license?
- 6) Where do they receive their mail? If they receive their mail in more than one place, where do they receive their important personal and financial documents?
- 7) Where do they manage their financial transactions (i.e. banking)?
- 8) With whom do they obtain insurance and what address do they use for automobile and life insurance?
- 9) At what location have they obtained a personal cell phone?

### Examples of domicile:

- A taxpayer's house is in Ashland, Kentucky (where the taxpayer's spouse and pets stay). The taxpayer stays in a rented apartment and works in Texas. The taxpayer returns to Kentucky every other weekend and on all holidays. The taxpayer's domicile is in Kentucky and, therefore, is a full-year Kentucky resident. **It is obvious that the taxpayer did not intend to make Texas a permanent home.** The taxpayer would file **Form 740**. The taxpayer would not get credit for taxes paid to the other state because Texas does not have an income tax.
- Audit Tip:***

*Although the taxpayer spent less than 183 days in Kentucky, his domicile had not changed and he is still considered a full-year resident.*
- A single taxpayer comes to Kentucky from Alabama to work for three months. He rents an apartment in Kentucky for the three-month period and returns to Alabama after his work in Kentucky is completed. This taxpayer's domicile is in Alabama and the taxpayer is a nonresident of Kentucky. He would be required to file Kentucky **Form 740-NP** and report the income earned from the Kentucky source.
  - A married taxpayer sells his home in Kentucky and moves his entire family with him to Florida where he purchases a new home. His domicile is now Florida and he is a resident of Kentucky for the period prior to moving to Florida. He would be required to file **Form 740-NP. (Part-year resident leaving Kentucky.)**
  - A taxpayer moves from her apartment in New York in May and brings her only child with her to Lexington, Kentucky. She enrolls her child in Bates Creek High School while she secures a job at Centre Bank in Lexington. She has no intention of returning to New York. This taxpayer's domicile is now



in Kentucky, and she is a Kentucky resident. She would file **Form 740-NP** as a part-year resident. **(Part-year resident moving into Kentucky.)**

- The taxpayer is a resident of Louisville where he has lived his entire life and is employed as a mechanical engineer. His company sends him to South Carolina for a two-year job on a construction project at their new plant. He rents his home for the two years, but intends to return once the job is completed. The taxpayer is domiciled in Kentucky for the entire period and would file **Form 740**.
  - *The taxpayer is a full-year Kentucky resident even though he may not have spent any time in Kentucky. The taxpayer would file **Form 740** and take advantage of the taxes paid to other state credit.*

### **Individual Residing in Foreign Country**

An individual residing in a foreign country, who is permitted to file federal income tax returns as a nonresident citizen, and who immediately prior to residing in a foreign country was domiciled in Kentucky, is presumed to be a Kentucky resident (see **103 KAR 17:010 Section 4**).

This taxpayer is required to file a resident Kentucky income tax return. A citizen of the United States is a resident of one state. Therefore, if the individual resided in Kentucky prior to residing in a foreign country, such individual is considered a Kentucky resident. Such individual may, however, overcome this presumption by presenting sufficient evidence that the Kentucky domicile has been abandoned.

Examples would include: sold Kentucky property; closed Kentucky bank accounts; returns only for short visits with friends and family; removed personal belongings, etc.

## **Reciprocity**

Reciprocity is defined as the mutual exchange of privileges between two governments. In the case of state income tax, the privilege is not being taxed in two different states on the same income. This agreement exists between Kentucky and seven other states, allowing taxpayers who live in one of the states, but work in another to file an income tax return only with their state of residence.

As an example, if a taxpayer lives in Indiana, but travels to work in Louisville, Kentucky everyday, that taxpayer is afforded the ability to file only an Indiana state tax return. The taxpayer's employer does not have to withhold income tax from their wages; however, the employer may choose to withhold tax.

### ***Audit Tip:***

*Reciprocity only applies to wage and salary income. Reciprocity does not apply to other types of income, such as gambling winnings or business income. If the taxpayer has any income other than wages or salary, they must file **Form 740-NP** and claim credit for taxes paid to other state.*

If the employer chooses to withhold tax, the taxpayer would file Kentucky **Form 740-NP-R** to receive a full refund of their Kentucky withholding. The taxpayer must also submit a copy of his Indiana tax return to verify that he is, in fact, filing an Indiana state tax return and claiming this income.

A taxpayer can determine where state tax was reported and how much was paid in withholding by referencing boxes 15 and 17 on their W-2(s). Box 15 will list the state in which the income was reported and box 17 will show the amount of withholding that was paid to that state.

### ***Audit Tip:***

*Reciprocity does not apply to any taxpayer who spends more than 183 days in Kentucky during the tax year.*

## Certificate of Nonresidence

If a taxpayer lives in a reciprocal state and works in Kentucky, the taxpayer may file a **Certificate of Nonresidence Form 42A809** with his employer. This allows the employer to no longer withhold Kentucky state tax, relieving the taxpayer of any filing obligation with Kentucky on the wage income earned with that specific job. This does not, however, relieve the taxpayer from Kentucky tax filing requirements with any other type of income or income from any other W-2.

### **740-NP-R**

Form 740-NP-R is used for nonresidents of states that have a reciprocity agreement with Kentucky (see list and map that follow). Reciprocity agreements state the taxpayer will be taxed by the state of residence and not by Kentucky, where the income is earned. Because this taxing situation is straightforward, the 740-NP-R is one of the most basic income tax forms that the Kentucky Department of Revenue makes available.

In addition to completing the demographic information at the top of the form, the taxpayer will need to answer two questions about his residency (three if he is a resident of Virginia). Answering “no” to any of these questions will result in the taxpayer not being eligible to file a 740-NP-R. Taxpayers who must answer “no” to even one of the questions must file a 740-NP.

After answering “yes” to all of the applicable questions, the taxpayer must enter the name and address of their employer in Kentucky in which Kentucky income tax was withheld. If the taxpayer has more than one employer in Kentucky, that taxpayer must complete and attach a list of all of their Kentucky employers. The taxpayer must also attach the W-2(s) of all Kentucky employers and attach a copy of his return that is filed with his state of residence. A copy of the 2010 740-NP-R has been included for your reference.

**740-NP-R**

42A740-NP-R

Department of Revenue


**KENTUCKY**  
**INCOME TAX RETURN**  
**Nonresident — Reciprocal State**
**2010**

|                               |  |                                    |                           |                          |          |   |
|-------------------------------|--|------------------------------------|---------------------------|--------------------------|----------|---|
| Last name                     |  | Your first name and middle initial |                           | Your Social Security no. |          | Did you file a Kentucky income tax return for 2009? Yes <input type="checkbox"/><br>No <input type="checkbox"/> . If no, give reason: |
| Number and street or P.O. box |  | Apt. no.                           | City, town or post office | State                    | ZIP code |   |
| Mailing Address               |  |                                    |                           |                          |          |   |

**INSTRUCTIONS**

This form may be used by qualifying full-year nonresidents to claim a refund of Kentucky income taxes withheld during 2010. To determine if you qualify, you must check "Yes" or "No" for the applicable statements below. *If eligible, complete lines 1–6.* Enter only the taxpayer's name in which the Kentucky wages and salaries were earned in the name box above. Do not include your spouse's name. If both spouses earned only Kentucky wages and salaries as a resident of a reciprocal state, **each spouse must file a separate Form 740-NP-R.**

- A. I was a **nonresident** of Kentucky during all of 2010. ☐ Yes ☐ No
- B. My only 2010 Kentucky income was from salaries or wages earned while a resident of any of the following states: ☐ Yes ☐ No  
 (circle state(s)) **1**–Illinois **2**–Indiana **3**–Michigan **4**–Ohio **5**–Virginia **6**–West Virginia **7**–Wisconsin  
**Note:** Race track, lottery and other gambling winnings are not salaries or wages.

For Virginia residents only:

- C. I commuted **daily** to a place of employment in Kentucky. ☐ Yes ☐ No

**Nonresidents who answered "No" to any of the statements above must file Form 740-NP to report Kentucky income.**

Enter name and address of principal employer in Kentucky

Name \_\_\_\_\_

Number and street \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ ZIP code \_\_\_\_\_

**Form 740-NP and other  
Kentucky tax forms can  
be downloaded.  
[www.revenue.ky.gov](http://www.revenue.ky.gov)**

Attach Kentucky Wage and Tax Statements Here

|   |  |    |
|---|--|----|
| 1. Enter total <b>Kentucky income tax withheld</b> . Do not include local tax withheld.<br><i>Attach 2010 wage and tax statement(s)</i> ..... • 1   |  | 00 |
| 2. <b>Nature and Wildlife Fund Contribution</b><br><input type="checkbox"/> \$10 <input type="checkbox"/> \$25 <input type="checkbox"/> \$50 <input type="checkbox"/> Other _____ Enter amount checked ..... • 2                    |  | 00 |
| 3. <b>Child Victims' Trust Fund Contribution</b><br><input type="checkbox"/> \$10 <input type="checkbox"/> \$25 <input type="checkbox"/> \$50 <input type="checkbox"/> Other _____ Enter amount checked ..... • 3                   |  | 00 |
| 4. <b>Veterans' Program Trust Fund Contribution</b><br><input type="checkbox"/> \$10 <input type="checkbox"/> \$25 <input type="checkbox"/> \$50 <input type="checkbox"/> Other _____ Enter amount checked ..... • 4                |  | 00 |
| 5. <b>Breast Cancer Research/Education Trust Fund Contribution</b><br><input type="checkbox"/> \$10 <input type="checkbox"/> \$25 <input type="checkbox"/> \$50 <input type="checkbox"/> Other _____ Enter amount checked ..... • 5 |  | 00 |
| 6. From line 1, subtract lines 2, 3, 4 and 5. Amount to be <b>REFUNDED</b> ..... • 6  |  | 00 |

**ATTACH A COPY OF THE 2010 RETURN FILED WITH YOUR STATE OF RESIDENCE.**

I declare under the penalties of perjury that I have examined this return and to the best of my knowledge and belief, it is a true, correct and complete return.

Your Signature \_\_\_\_\_ Date Signed \_\_\_\_\_ Telephone Number (daytime) \_\_\_\_\_

Typed or Printed Name of Preparer Other than Taxpayer \_\_\_\_\_ I.D. Number of Preparer \_\_\_\_\_ Date \_\_\_\_\_



**Mail to: Kentucky Department of Revenue, Frankfort, KY 40618-0006**

**Note:** Nonresidents of reciprocal states who want to prevent their Kentucky employer from withholding Kentucky income tax from their paychecks should file a copy of Revenue Form 42A809, Certificate of Nonresidence, with their employer. The form is available from the employer, the Kentucky Department of Revenue, Frankfort, KY 40620, or by visiting [www.revenue.ky.gov](http://www.revenue.ky.gov)

Kentucky's reciprocal agreement varies from state to state. The following is a list of the states with which Kentucky has a reciprocal agreement:

**(1) Illinois**

- Residents of Illinois are exempt from Kentucky income tax on wages and salaries.

**(2) Indiana**

- Residents of Indiana are exempt from Kentucky income tax on wages, salaries, and commissions.

**(3) Michigan**

- Residents of Michigan are exempt from tax on income earned from personal services in Kentucky. Personal services include salaries and wages.

**(4) Ohio**

- Residents of Ohio are exempt from Kentucky income tax on salaries and wages.
- Effective for calendar years beginning on or after January 1, 2007, the reciprocity agreement with Ohio does not apply to wages that an S corporation pays to a shareholder-employee if the shareholder-employee is a "twenty (20) percent or greater" direct or indirect equity investor in the S corporation.

**(5) Virginia**

- Virginia residents commuting daily to work in Kentucky are exempt from income tax on salaries and wages.

**(6) West Virginia**

- Residents of West Virginia are exempt from Kentucky income tax on salaries and wages.

**(7) Wisconsin**

- Residents of Wisconsin are exempt from tax on income earned from personal services in Kentucky. Personal services include salaries and wages.

### Income Tax Reciprocity

States with which Kentucky has a Reciprocal Agreement



## **Nonresident Shareholders**

For tax years beginning on or after January 1, 2009, every pass-through entity required to file a tax return pursuant to **KRS 141.206(2)** must withhold income tax at the maximum rate of six percent (6%) on the net distributive share income of each nonresident individual partner, member or shareholder doing business in Kentucky only through its ownership interest in a pass-through entity. This means that, even if a taxpayer is a nonresident of Kentucky, if he is a shareholder in a company that has Kentucky income, the company is required to withhold tax on that income, whether or not the nonresident files a Kentucky return.

Withholding is **NOT** required if:

- The nonresident partner, member or shareholder is exempt from withholding as provided by **KRS 141.206(7)**;
- The nonresident partner or member is exempt from Kentucky income tax as provided by **KRS 141.040(1)**;
- The pass-through entity is a qualified investment partnership as provided by **KRS 141.206(15)** and the nonresident partner, member or shareholder is an individual; or
- The partner or member is a pass-through entity.

The withholding is to be filed with the Department of Revenue on **Form 740NP-WH**, Kentucky Nonresident Income Tax Withholding on Net Distributive Share Income Transmittal Report and Composite Income Tax Return. When the corporation files the Form 740NP-WH, it must include **Form PTE-WH**, Kentucky Nonresident Income Tax Withholding on Net Distributive Share Income, for each nonresident individual partner, member or shareholder and each corporate partner or member included in Form 740NP-WH. At the time of filing, the corporation must also remit the income tax due.

A copy of Form PTE-WH must be provided to each nonresident individual partner, member or shareholder and each corporate partner or member included on Form 740NP-WH.



## Composite Returns

For tax years beginning on or after January 1, 2009, a pass-through entity may file a composite income tax return as provided by **KRS 141.206(16)** on behalf of electing nonresident individual partners, members, or shareholders. As is the situation with withholding, the tax on a composite return is to be computed at the maximum rate of six percent (6%).

If the nonresident individual has **only** distributive share income from the pass-through entity, he is not required to file an individual Kentucky Income Tax Return. However, he may choose to file an individual return to take advantage of deductions, credits and Kentucky's graduated tax rates.

The composite income tax return is to be filed with the Department of Revenue on Form 740NP-WH (check composite income tax return box) on or before the 15th day of the fourth month after the close of the pass-through entity's taxable year, and shall include:

- Only nonresident individual partners, members, or shareholders whose net distributive share income was not subject to withholding as provided by **KRS 141.206(4)**;
- Only nonresident individual partners, members, or shareholders whose only source of income within this state is net distributive share income from one or more pass-through entities;
- Only nonresident individual partners, members, or shareholders that have elected to be included in a composite income tax return by submitting a written statement to the pass-through entity within thirty (30) days after the close of the pass-through entity's taxable year;
- Form PTE-WH (check composite box) for each nonresident individual partner, member, or shareholder included in the composite return; and
- Remittance of the income tax due.

**Note:** In prior tax years the composite return was filed on Kentucky Form 740-NP.



**740NP-WH**  
40A201 (10-10)



For Taxable  
Year Ended

\_\_\_\_/\_\_\_\_/\_\_\_\_

- Check if ☐ Composite Income Tax Return  
☐ Amended Return  
☐ Estimated Payment  
☐ Extension Payment  
☐ Change of address

**KENTUCKY NONRESIDENT INCOME TAX WITHHOLDING ON  
DISTRIBUTIVE SHARE INCOME TRANSMITTAL REPORT  
AND COMPOSITE INCOME TAX RETURN  
(To be completed by Pass-through Entities Only)**

|  |       |          |
|--|-------|----------|
| (1) FEIN   |       |          |
| (2) Kentucky Corporation/LLET Account Number   |       |          |
| (3) Name of Pass-through Entity  |       |          |
| Street Address   |       |          |
| City   | State | ZIP Code |
| (4) Number of nonresident individuals, estates, trusts and C corporations subject to withholding         | 4     |          |
| (5) Number of nonresident individuals, estates, and trusts subject to income tax (composite return only) | 5     |          |
| (6) Kentucky distributive share income before apportionment (see instructions)                           | 6     | 00       |
| (7) 100% or the apportionment factor from Schedule A, Section I, line 12                                 | 7     | %        |
| (8) Kentucky distributive share income subject to withholding/income tax (line 6 multiplied by line 7)   | 8     | 00       |
| (9) Tax before credit (line 8 multiplied by .06 (6%))  | 9     | 00       |
| (10) Enter pass-through partners', members' or shareholders' non-refundable credits (attach schedule)    | 10    | 00       |
| (11) Kentucky income tax due (line 9 less line 10)   | 11    | 00       |
| (12) Amount paid (see instructions)  | 12    | 00       |
| (13) Balance of tax due. If line 11 is greater than line 12, enter line 11 less line 12.                 | 13    | 00       |
| (14) Tax overpayment. If line 11 is less than line 12, enter line 12 less line 11.                       | 14    | 00       |
| (15) Amount credited to 2011   | 15    | 00       |
| (16) Amount to be refunded (line 14 less line 15)  | 16    | 00       |

**Make check(s) or money order(s)  
payable to Kentucky State Treasurer.**

**Mail to:  
Kentucky Department of Revenue  
Frankfort, KY 40619-0006.**

**TAX PAYMENT SUMMARY  
(Round to nearest dollar)**

|                          |                 |
|--------------------------|-----------------|
| <b>1. Tax (Line 13))</b> | <b>\$</b> _____ |
| <b>2. Penalty</b>        | <b>\$</b> _____ |
| <b>3. Interest</b>       | <b>\$</b> _____ |
| <b>4. Total Payment</b>  | <b>\$</b> _____ |

I declare under the penalties of perjury that this return, including all accompanying schedules and statements, has been examined by me and, to the best of my knowledge and belief, it is true, correct and complete.

Print name of partner, member or shareholder      Signature of partner, member or shareholder      Daytime telephone number      Date

Name of person or firm preparing return      Date

\_\_\_\_\_  
SSN, PTIN or FEIN

**May the DOR discuss this return with the preparer?**

☐ Yes    ☐ No

E-mail Address:

Telephone No.:

## **Completing the 740-NP**

The format of the Form 740-NP is based on the Form 740 and both forms are similar. However, because of the issues involved with residency, there are special considerations that are made on the Form 740-NP that are not found on the Form 740. Both forms begin with completing the demographic information of the taxpayer(s) filing the return. Aside from name and Social Security number, the taxpayer must select a filing status. On the Form 740-NP, there are three options for filing status.

### **Filing Status**

As with all income tax returns, the legal liabilities of the taxpayers are affected by their choice of filing status. Married persons who file joint returns are jointly and severally liable for all income taxes due for the period covered by the return. If the taxpayer is married, he may file separate or joint returns. Most married persons pay less tax if separate returns are filed.

- Filing Status 1, Single—Taxpayers will use this filing status if they are unmarried, divorced, widowed, legally separated by court decree, or if they filed as "Head of Household" or "Qualifying Widow(er)" on their federal return.
- Filing Status 2, Married Filing Joint Return—Taxpayers will use this filing status if they and their spouse choose to file a joint return even if one spouse had no income. Filing a joint return means that both the taxpayer and their spouse will add their incomes together and report the total on page 4, Section D, Column B, Lines 1 through 34.
- Filing Status 3, Married Filing Separate Returns—if the taxpayer uses this filing status, the taxpayer and his spouse must file two separate tax forms. In other words, the husband's income is reported on one tax form, the

wife's on the other. When filing separate returns, the name and Social Security number of each spouse must be entered on both returns. The taxpayer will enter the spouse's Social Security number in the block provided, and enter the name on page 1, Line 3.

After completing the Residency Status section, you will notice that line seven of the 740-NP directs taxpayers to use the percentage from page four of the return. This means that the taxpayer must first complete page four before he can continue his return.

### **740-NP – Page Four**

Nonresidents and part-year residents are taxed in Kentucky based on their percentage of income taxable to Kentucky as it relates to their total federal income. Page four serves as the tool taxpayers use to determine this percentage.

Because the taxpayer is determining what income is reportable to Kentucky based on his total income, page four follows the federal income tax **Form 1040** and has two columns. All entries in **Column A** should be amounts reported for federal income tax purposes. All entries in **Column B** should be the amounts that are reportable to Kentucky only.

#### ***Audit Tip:***

*The percentage figured on page four is also used when calculating certain credits and deductions on the Kentucky Form 740-NP. A copy of pages one and two of the federal income tax return and all supporting schedules should be filed with Kentucky Form 740-NP.*

## Page Four – Income

While many of the items that are categorized as income are self explanatory, the following types of income have special issues associated with them, and therefore bear further explanation.

### Wages, Salaries, Tips, etc.

The taxpayer will enter all wages, salaries, tips, bonuses, commissions, or other compensation received for personal services from Kentucky sources while a nonresident and from all sources while a resident of Kentucky. The taxpayer should not include in this amount any reimbursement for moving expenses included in Kentucky wages on their Kentucky W-2(s).

### Moving Expenses

Taxpayers claiming moving reimbursement as income must file a **Kentucky Schedule ME**. The taxpayer's residency status directly affects how this schedule is completed.

- **Full-Year Nonresidents**—If the taxpayer is a full-year nonresident, his moving expense reimbursements are not taxable, and his moving expenses are not deductible.
- **Part-Year Residents**—If the taxpayer is a part-year resident, any payments to him or on his behalf by any employer for moving expenses are considered income. These payments will be included in wages (box 1) or will be shown separately on his W-2.

Taxpayers who were residents of Kentucky for only part of the year are required to report as income only part of the total reimbursement received. The amount which must be reported to Kentucky as income is based on the percentage of Kentucky **earned** income to total **earned**

income. Earned income is income the taxpayer received for services he provided. It includes wages, salaries, tips, etc. It also includes income earned from self-employment (Schedules C, C-EZ and F and partnerships).

### Examples:

- 1) Joe Smith lived in Ohio and worked for Company A from January 1, 2010, until May 31, 2010. At that time, Mr. Smith was transferred to Company A in Kentucky. Since the location was more than 100 miles away, Joe moved to Kentucky. His company reimbursed him 100 percent (100%) of the relocation expenses.

How would this reimbursement be treated on his tax return?

Both the expenses and the reimbursement would be prorated by the ratio of the Kentucky earned income to the total earned income. It would be necessary for **Schedule ME** to be completed and attached to **Form 740-NP** to verify the reimbursement amount.

- 2) Jim Brown and his family have lived in Kentucky all of their lives. However, his employer, Company B, needs Jim to move to Boulder, Colorado, to work at their plant. On March 31, 2010, Jim and his family pack up and move to Boulder. The company reimburses Jim for the majority of the cost of the move.

How would the deduction and reimbursement for this move be treated on the return?

The reimbursement would be treated the exact same way as the first example, i.e., both the expenses and reimbursement would be prorated by the ratio of the Kentucky earned income to the total earned income as shown on **Form 740-NP**.

### **Taxable Refunds, Credits or Offsets of Local Income Taxes**

The taxpayer will enter the amount of taxable state and local income tax refund or credit reported on his federal return **only if** he received a tax benefit in a prior year.

### **Income from Schedule C**

All nonresidents are required to report to Kentucky any amount of business income earned in Kentucky. Also, all part-year residents are required to report any business income earned while a resident of Kentucky, regardless of the source, plus any amount of business income earned in Kentucky as a nonresident. Enter income (or loss) from any sole proprietorship business that was attributable to Kentucky on Line 7, Column B.

### **Income from Schedule F**

All nonresidents are required to enter any income (or loss) from farm activity located in Kentucky. Likewise, part-year residents are required to report all farm income or loss received while a resident of Kentucky or any farm income or loss after leaving Kentucky if the farm income is derived from a Kentucky source. Remember that the National Tobacco Settlement and Tobacco Loss Assistance Program incomes are exempt for Kentucky tax purposes.

### **Gain or (Loss) from Sale or Exchange of Assets**

Gains (losses) on sales of assets (including installment sales) while a Kentucky resident must be reported on the Kentucky return. Gains (losses) on sales of tangible assets located in Kentucky must be reported regardless of state of residence. Generally, gains (losses) on sales of intangible assets are reported to the state of residence or the state in which a business situs has been established.

- **Determining and Reporting Differences in Gain or Loss from Disposition of Assets**—If during the year the taxpayer disposes of assets placed in service after September 10, 2001, on which the 30 percent (30%) or the 50 percent (50%) special depreciation allowance or the increased Section 179 deduction was taken for federal income tax purposes, he will need to determine and report the difference in the amount of gain or loss on the assets as follows:
- **Create a Kentucky form** by entering **Kentucky** at the top center of a federal Schedule D, federal Form 4797 and other applicable federal forms. Compute Kentucky gain or loss from the disposed assets using the Kentucky basis. Enter the Kentucky gain or loss on the appropriate line. **Attach the *created* Kentucky Schedule D, Kentucky Form 4797 and other forms or schedules to support the deduction.**

### **Pension Income Exclusion**

Taxpayers may exclude up to \$41,110 of pension income. If the pension amount is more than \$41,110 and is from the federal government, the Commonwealth of Kentucky or Kentucky local governments, it is possible that the amount of pension excluded will be greater than \$41,110. In order to determine if a taxpayer will be eligible for additional pension income exclusion, it is necessary to complete **Schedule P**.

#### ***Audit Tip:***

*A full-year nonresident will not have any pension income to report to Kentucky as this type of income is assigned to the state of domicile. A part-year resident will be taxed only on pension income received above the pension exclusion while domiciled in Kentucky.*

Part-year residents are allowed to exclude all pension income received while a Kentucky resident up to the \$41,110 maximum, but need to remember to only report pension income received while a resident of Kentucky. Additional pension income in excess of the \$41,110 pension exclusion may also be exempt from Kentucky tax if that pension income is from certain sources (see the next page and **Schedule P** for additional details).

## Types of Income Subject to Exclusion

All pension and retirement income paid under a written retirement plan is eligible for exclusion. This includes pensions, annuities, IRA accounts, 401(k) and similar deferred compensation plans, death benefits, and other similar accounts or plans. As a general rule, if the income is reported on the federal income tax return, Form 1040, line 15(b) or 16(b); Form 1040A, line 11(b) or 12(b); Form 4972; or is a disability retirement benefit or deferred compensation distribution reported on Form 1040, line 7 or 1040A, line 7, then it qualifies for the exclusion.

Taxpayers may exempt the federally taxable portion of pension income paid by the federal government, the Commonwealth of Kentucky, or any Kentucky local government. This also includes supplemental (Tier 2) U.S. Railroad Retirement Board benefits reported on Form 1040, line 16(b) (Form 1040A, line 12(b)) and federal or Kentucky disability retirement income included on federal Form 1040, line 7 or Form 1040A, line 7.

## Income from Schedule E

Schedule E is used to report income from rents, royalties, partnerships, estates, trusts, S corporations and LLCs. Nonresident individuals receiving a Kentucky **Schedule K-1** from a partnership, estate, trust, S corporation or LLCs doing business only in Kentucky must report their distributive share of the income, gains or losses, etc., as reflected on the **Schedule K-1**.

However, nonresident individuals receiving a Kentucky **Schedule K-1** from a partnership or S corporation doing business both within/without Kentucky should multiply their distributive share items by the taxable percentage from **Schedule K-1, Forms 720S and 765**.

Part-year residents or full-year residents not receiving a Kentucky **Schedule K-1**, but receiving a federal **Schedule K-1** from a partnership, estate, trust, or S corporation, must report the same amount of distributive income, gains or losses,



etc., as reported for federal income tax purposes from entities whose taxable years end during their period of residence.

Income from real estate mortgage investment conduits (REMICs) is reported as follows: (1) if the REMIC is a corporation, include only distributions of cash or property during the taxable year; or (2) if other than a corporation, report the same amount as reported for federal income tax purposes for the taxable year.

### **Net Operating Loss Deduction (Other Income)**

A Kentucky net operating loss deduction (KNOLD) must be computed using Kentucky income and deduction amounts. The federal net operating loss deduction is not allowed. The KNOLD should be included as a negative amount on Line 16. If the loss is from a business outside Kentucky, none of the loss may be used. Kentucky returns must be filed for the year of the loss and for all years for which the loss is utilized. The taxpayer must attach a schedule showing computation.

#### ***Audit Tip:***

*For 2005 and future years, the carryback of net operating losses to prior years is no longer allowed. Net operating losses may be carried forward for up to 20 years. Documentation to substantiate any loss must be available to the Department of Revenue upon request.*

## Page Four – Adjustments to Income

While many of the items that are categorized as adjustments to income are taken directly from what is reported on **Form 1040**, the following adjustments include special issues and require further explanation.

### **Health Savings Account (HSA) Deduction**

The following federal limitations apply to Kentucky:

- **For 2012:** \$3,100 maximum contribution for individual coverage; and \$6,250 for family coverage. \$1,000 for additional catch-up contributions for people age 55 or older.
- **For 2011:** \$3,050 (individual), \$6,150 (family), and \$1,000 for catch-up contributions.
- **For 2010:** \$3,050 (individual), \$6,150 (family), and \$1,000 for catch-up contributions.
- **For 2009:** \$3,000 (individual), \$5,950 (family), and \$1,000 for catch-up contributions.
- **For 2008:** \$2,900 (individual), \$5,800 (family), and \$900 for catch-up contributions

Contributions to an HSA are tax deductible. Earnings, such as interest and dividends, in the health savings account are tax-exempt at the federal level. Withdrawals from a health savings account are tax free as long as the funds are used for qualified medical expenses. (See [IRS Publication 502, Medical and Dental Expenses](#) for further info on qualified medical expenses).

Contributions deducted by full-year nonresidents are limited to the percentage of their Kentucky total income (Line 17, Column B) to their federal total income (Line 17, Column A). Taxpayers may not claim their contribution amounts as an itemized deduction.

### **Deduction for One-Half of Self-Employment Tax**

The taxpayer may deduct one-half of his self-employment tax based upon the self-employment income reported in Column B as Kentucky income for the taxable year.

### **Self-Employed SEP, SIMPLE and Qualified Plans Deduction**

Self-employed persons may deduct qualified payments to a Keogh retirement plan, a Simplified Employee Pension (SEP) or a SIMPLE plan based upon Kentucky self employment earnings.

### **Student Loan Interest Deduction**

Taxpayers may deduct student loan interest on loans issued for themselves, his spouse (if filed jointly), and their [dependents](#). There are income limitations for being able to claim this deduction.

### **Limits**

Student loan interest deduction is limited to the percentage of Kentucky total income (Line 17, Column B) to federal total income (Line 17, Column A). The taxpayer will enter in Column A, the total of student loan interest from their federal return and will enter in Column B, the allowable deduction with Kentucky.

The maximum amount of student loan interest the taxpayer may claim as a tax deduction is limited to \$2,500.

The deduction is also limited by the taxpayer's total income. If his income is under \$60,000 (or \$120,000 for married couples filing a joint return), then he may deduct up to \$2,500 in student loan interest.

If his income is over \$60,000 but under \$75,000 (\$120,000 to \$150,000 for married people filing jointly), then the deduction for student loan interest will be prorated.

If his income is over \$75,000 (\$150,000 married filing jointly), then the student loan interest is not deductible at all.

### **Long-Term Care Insurance Premiums**

Persons moving into and out of Kentucky may deduct the total of long-term care insurance premiums paid while a resident of Kentucky. Nonresidents are limited to the percentage of their Kentucky total income (Line 17, Column B) to their federal total income (Line 17, Column A). Because this adjustment to income applies only to Kentucky, you will note that this line is intentionally left blank on column A.

### **Health Insurance Premiums**

Persons moving into and out of Kentucky may deduct 100% of medical and dental insurance premiums paid while a resident of Kentucky. Nonresidents are limited to the percentage of their Kentucky total income (Line 17, Column B) to their federal total income (Line 17, Column A). Because this adjustment to income applies only to Kentucky, you will note that this line is intentionally left blank on column A.

Insurance premiums paid by an employee through an employer-sponsored health insurance plan are not deductible unless the premiums are included in Box 1 of the W-2 Form(s). In other words, this deduction applies to premiums paid with

after-tax dollars. Premiums paid with pretax income (cafeteria plans and vouchers already excluded from wage income) are not deductible.

### **Other Deductions**

The taxpayer will list any other adjustments to their total income on line 33 and include a brief explanation of the type of deduction in the space provided. Other deductions are limited to the percentage of Kentucky total income (Line 17, Column B) to federal total income (Line 17, Column A). The taxpayer must enter in Column A, the total of any other adjustments to the total income listed on his federal return. Enter in Column B, the allowable deduction with the above limitation.

## **740-NP – Page One**

### **Personal Tax Credits**

- **Part-year residents** claim credits the same as full year residents but are required to take only the percentage of the total tax credits based on the Kentucky Adjusted Gross Income relative to Federal Adjusted Gross Income.

For example, three tax credits at \$20 each would equal \$60. If the Kentucky to Federal Adjusted Gross Income percentage were 30 percent (30%), you would multiply the \$60 by 30 percent (30%), which would result in an \$18 tax credit allowed. Married individuals who file separately would claim their own personal credits and may divide credits for dependents between them any way they choose.

- **Single nonresidents** and **married nonresidents**, where both have Kentucky income, take personal credit(s) the same as part-year residents. A special rule is provided for a **married nonresident** whose spouse has no Kentucky income. The taxpayer may claim his own tax

credits and apportion the credits by the ratio of his Kentucky AGI to his federal AGI. The taxpayer could also claim credits for himself, his spouse and dependents and would apportion the total credits by the ratio of their Kentucky AGI to the federal AGI of both spouses.

**Example:** A husband has wages of \$20,000 and \$10,000 of the \$20,000 was earned in Kentucky. His wife earns \$10,000 – none of it in Kentucky. They have three children. The husband can file in one of two ways:

- Option #1: The husband can claim himself only as dependent and receive 50 percent (50%) of his \$20 tax credit (\$10,000 Kentucky income to \$20,000 total income = 50%).
- Option #2: The husband can claim himself, his wife and 3 children as tax credits. He can receive 33.3 percent (33.3%) of \$100 (5 credits x \$20 each) tax credit. (Husband and wife total income = \$30,000 compared to husband's Kentucky income of \$10,000 = 33.3%).

### **Itemized Deductions**

Part-year residents or full-year nonresidents may itemize deductions for Kentucky even if they do not itemize for federal purposes. Amounts entered on **Kentucky Schedule A** should be total deductions for the taxable period. These amounts are prorated on **Form 740-NP** using a ratio of Kentucky adjusted gross income to federal adjusted gross income. For taxpayers not itemizing deductions on Schedule A, the standard deduction may be taken in full and does not need to be prorated.

## Itemized Deductions of Married Persons Filing Separate Returns

Married taxpayers may choose to file separate returns to take advantage of the lower tax rate brackets. If one spouse itemizes, the other must also itemize. In other words, it is not allowable for one spouse to claim itemized deductions and the other spouse to claim a standard deduction even if two separate returns are being filed. If married and filing separate returns, a joint Kentucky Schedule A should be used and prorated based on each spouse's share of Federal AGI with the applicable amounts reported on each spouse's separate return. Both spouses should attach a copy of the Kentucky Schedule A to their tax return.

Another option for married couples who wish to file separate Kentucky returns is that each may file a separate Kentucky Schedule A reporting specific deductions attributable for each. Each spouse must be able to substantiate the specific deductions claimed on their respective Kentucky Schedule A.

## Itemized Deductions for Nonresident Spouse of Kentucky Resident

No exception exists for married persons when only one spouse is a resident of Kentucky. The resident spouse is allowed his or her pro-rata share of the joint itemized deductions. To calculate the resident's pro-rata share, the Kentucky taxpayer must calculate the percentage of his or her federal AGI to total federal AGI of both spouses.

**Example:**

|                        |                    |
|------------------------|--------------------|
| Husband's Federal AGI: | \$55,000.00        |
| Wife's Federal AGI:    | <u>\$23,500.00</u> |
| TOTAL Federal AGI:     | \$78,500.00        |

Husband's percentage of Federal AGI is 70%  
 ( $\$55,000 \div \$78,500 = 70\%$ )

Therefore, 70 percent (70%) of the total itemized deductions reported by the married couple is reported on the husband's Kentucky income tax return. This

amount is then prorated based on the percentage of his Kentucky AGI to his part of federal AGI.

### **Family Size Tax Credit**

The Family Size Tax Credit is based on the taxpayer's modified gross income (MGI) and the size of his family. If his total MGI is \$29,327 or less, he may qualify for the Kentucky Family Size Tax Credit. The taxpayer will compute this credit as follows:

*STEP ONE*—Determine the taxpayer's family size. Check the box on Line 20 to the right of the number that represents his family size.

- Family Size - Consists of the taxpayer, his spouse if married and living in the same household and qualifying children.
  - Family Size 1 is an individual either single, or married living apart from his or her spouse for the entire year. The taxpayer may qualify for the Family Size Tax Credit even if he is claimed as a dependent on his parent's tax return.
  - Family Size 2 is an individual with one qualifying child or a married couple.
  - Family Size 3 is an individual with two qualifying children or a married couple with one qualifying child.
  - Family Size 4 is an individual with three or more qualifying children or a married couple with two or more qualifying children.

**Qualifying Dependent Child**—Means a qualifying child as defined in Internal Revenue Code Section 152(c), and includes a child who lives in the household but cannot be claimed as a dependent if the provisions of Internal Revenue Code Section 152(e)(2) and 152(e)(4) apply.

In general, to be a taxpayer's qualifying child, a person must satisfy four tests:



**Relationship**—Must be the taxpayer's child or stepchild (whether by blood or adoption), foster child, sibling or stepsibling, or a descendant of one of these.

**Residence**—has the same principal residence as the taxpayer for more than half the tax year. A qualifying child is determined without regard to the exception for children of divorced or separated parents.

**Age**—Must be under the age of 19 at the end of the tax year, or under the age of 24 if a full-time student for at least five months of the year, or be permanently and totally disabled at any time during the year.

**Support**—did not provide more than one-half of his/her own support for the year.

**STEP TWO**—Determine modified gross income.

The taxpayer will use a worksheet in order to determine their modified gross income. Modified gross income may be different than his Federal or Kentucky Adjusted Gross income. The modified adjusted gross income takes into account all types of income, some that may be exempt from taxes in Kentucky. If this adjustment was not made, many high-income taxpayers that are not residents of Kentucky would owe no Kentucky tax. The worksheet follows:

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**FORM 740-NP WORKSHEET FOR COMPUTATION OF MODIFIED GROSS INCOME FOR FAMILY SIZE TAX CREDIT**

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- |   |     |  |
|---|-----|--|
| (a) Enter your federal adjusted gross income from page 1, Line 8. <b>If zero or less, enter zero</b> .....  | (a) |  |
| (b) If married filing separate returns and living in the same household, enter your spouse's federal adjusted gross income. <b>If zero or less, enter zero</b> .....                      | (b) |  |
| (c) Enter tax-exempt interest from municipal bonds (non-Kentucky).....  | (c) |  |
| (d) Enter amount of lump-sum distributions not included in federal adjusted gross income (federal Form 4972).....   | (d) |  |
| (e) Enter total of Lines (a), (b), (c) and (d).....   | (e) |  |
| (f) Enter your Kentucky adjusted gross income from page 1, Line 9. <b>If zero or less, enter zero</b> .....   | (f) |  |
| (g) If married filing separate returns and living in the same household, enter your spouse's Kentucky adjusted gross income from page 1, Line 9. <b>If zero or less, enter zero</b> ..... | (g) |  |
| (h) Enter amount of lump-sum distributions not included in adjusted gross income (Kentucky Form 4972-K) .....   | (h) |  |
| (i) Enter total of Lines (f), (g) and (h).....  | (i) |  |
| (j) Enter the <b>greater</b> of Line (e) or (i). This is your <b>Modified Gross Income</b> .  |     |  |
| Use this amount to determine if you qualify for the Family Size Tax Credit .....  | (j) |  |
- 
-

**STEP THREE**—Use the Family Size Table to look up the percentage of credit and enter it in the space provided on Line 21.

| Family Size  | One     |             | Two     |             | Three   |             | Four or More |             | Credit<br>Percentage<br>is |
|--------------|---------|-------------|---------|-------------|---------|-------------|--------------|-------------|----------------------------|
| If MGI . . . | is over | is not over | is over | is not over | is over | is not over | is over      | is not over |                            |
| <b>2010</b>  | \$ ---  | \$ 10,830   | \$ ---  | \$14,570    | \$ ---  | 18,310      | \$ ---       | \$22,050    | 100                        |
|              | 10,830  | 11,263      | 14,570  | 15,153      | 18,310  | 19,042      | 22,050       | 22,932      | 90                         |
|              | 11,263  | 11,696      | 15,153  | 15,736      | 19,042  | 19,775      | 22,932       | 23,814      | 80                         |
|              | 11,696  | 12,130      | 15,736  | 16,318      | 19,775  | 20,507      | 23,814       | 24,696      | 70                         |
|              | 12,130  | 12,563      | 16,318  | 16,901      | 20,507  | 21,240      | 24,696       | 25,578      | 60                         |
|              | 12,563  | 12,996      | 16,901  | 17,484      | 21,240  | 21,972      | 25,578       | 26,460      | 50                         |
|              | 12,996  | 13,429      | 17,484  | 18,067      | 21,972  | 22,704      | 26,460       | 27,342      | 40                         |
|              | 13,429  | 13,754      | 18,067  | 18,504      | 22,704  | 23,254      | 27,342       | 28,004      | 30                         |
|              | 13,754  | 14,079      | 18,504  | 18,941      | 23,254  | 23,803      | 28,004       | 28,665      | 20                         |
|              | 14,079  | 14,404      | 18,941  | 19,378      | 23,803  | 24,352      | 28,665       | 29,327      | 10                         |
|              | 14,404  | ---         | 19,378  | ---         | 24,352  | ---         | 29,327       | ---         | 0                          |

**STEP FOUR**—multiply tax from Line 19 by the percentage and enter it on Line 21. This is the Family Size Tax Credit.

### **Child and Dependent Care Credit**

If a taxpayer paid someone to care for his child, spouse, or dependent last year, he may be able to claim the Child and Dependent Care Credit on his federal income tax return. In order for the taxpayer to qualify for this federal credit, the following items must be kept in mind:

1. The care must have been provided for one or more qualifying persons. A qualifying person is the taxpayer's dependent child age 12 or younger when the care was provided. Additionally, the taxpayer's spouse and certain other individuals who are physically or mentally incapable of self-care may also be qualifying persons.

2. The care must have been provided so the taxpayer – and his spouse if they are married filing jointly – could work or look for work.
3. The taxpayer – and his spouse if filing jointly – must have earned income from wages, salaries, tips, other taxable employee compensation or net earnings from self-employment. One spouse may be considered as having earned income if he was a full-time student or was physically or mentally unable to care for himself.
4. The payments for care cannot be paid to the taxpayer's spouse, to the parent of the qualifying person, to someone that can be claimed as a dependent on his return, or to his child who will not be age 19 or older by the end of the year even if he or she is not the taxpayer's dependent.
5. The taxpayer's filing status must be single, married filing jointly, head of household or qualifying widow(er) with a dependent child.
6. The qualifying person must have lived with the taxpayer for more than half of 2010. There are exceptions for the birth or death of a qualifying person, or a child of divorced or separated parents. See IRS Publication 503, Child and Dependent Care Expenses for more information on this topic.
7. The credit may be up to 35 percent (35%) of the taxpayer's qualifying expenses, depending upon the adjusted gross income.
8. For 2010, the taxpayer may use up to \$3,000 of expenses paid in a year for one qualifying individual or \$6,000 for two or more qualifying individuals to figure the credit.
9. The qualifying expenses must be reduced by the amount of any dependent care benefits provided by the taxpayer's employer that may be deducted or excluded from his income.
10. If the taxpayer pays someone to come to his home and care for his dependent or spouse, he may be a household employer and may have to withhold and pay Social Security and Medicare tax and pay federal unemployment tax. See Publication 926, Household Employer's Tax Guide.

**KRS 141.067** provides a direct credit against Kentucky income tax equal to 20 percent (20%) of the federal credit allowed under IRC Section 21. ***Full-year nonresidents are not entitled to this credit.***

Part-year residents may be entitled to a credit for child and dependent care expenses paid while a resident of Kentucky. For married, part-year residents filing separate Kentucky returns, the child and dependent care credit must be divided based on the percentage of each spouse's federal adjusted gross income to total Kentucky Adjusted Gross Income.

To determine the allowable credit, part-year residents must complete a worksheet. See instructions for Kentucky Form 740-NP.

### **Credit for Income Tax Paid to Other State**

Kentucky residents are required to report all income received including income from sources outside Kentucky. Within certain limitations, Kentucky residents and part-year residents may claim a credit for nonrefundable income tax paid to other states per **KRS 141.070**.

### **KRS 141.070—Credits allowed individuals for tax paid to other states**

(1) Whenever an individual who is a resident of this state has become liable for income tax to another state upon all or any part of his net income for the taxable year, derived from sources without this state and subject to taxation under this chapter, the amount of income tax payable by him under this chapter shall be credited on his return with the income tax so paid by him to the other state, upon his producing to the proper assessing officer satisfactory evidence of the fact of such payment, except that application of such credits shall not operate to reduce the tax payable under this chapter to an amount less than would have been payable were the income from the other state ignored.

(2) An individual who is not a resident of this state shall not be liable for any income tax under **KRS 141.020(4)** if the laws of the state of which such individual was a resident at the time such income was earned in this state contained a reciprocal provision under which nonresidents were exempted from gross or net income taxes to such state, if the state of residence of such nonresident individual allowed a similar exemption to resident individuals of this state. The exemption authorized by this subsection shall in no manner preclude the Department of Revenue from requiring any information reports pursuant to **KRS 141.150(2)**.

Credit for tax paid to another state is claimed on Kentucky **740-NP, page two** under **Section A – Business Incentive and Other Tax Credits**. This credit cannot be claimed for tax withheld by another state.

A return must be filed with the other state, and tax paid on income also taxed by Kentucky on the return in order to claim the credit. A copy of the other state's return must be attached to verify this credit along with the Kentucky Credit for Taxes Paid to Other State Worksheet which follows in this material.

The credit is **limited** to the amount of Kentucky tax savings had the income reported to the other state been omitted, or the amount of the tax paid to the other state, whichever is less. If tax is owed in more than one state, the credit for each state must be computed separately.

### **Full-year Nonresidents**

Credit for taxes paid to another state is not allowed as the taxpayer would not be reporting this income to Kentucky.

### **Part-year Residents**

Part-year residents may claim credit for taxes paid to another state if the income from the other state was received during the period of residency and is subject to Kentucky tax.

## Worksheet

The credit for taxes paid to other states has several variables and depends on comparing the rate at which the income was taxed in the other state with the rate at which Kentucky is taxing that income. Because of these variables, the credit can be difficult to calculate; the Department of Revenue has provided taxpayers with a worksheet to help them understand the amount of credit they are allowed to claim.

### **Credit for Taxes Paid to Other States Worksheet**

**Kentucky residents/part-year residents only. Complete a separate worksheet for each state. See instructions for Form 740 or 740-NP, Section A, Line 4.**

Name of other state \_\_\_\_\_

1. List Kentucky taxable income from Form 740-NP, Line 13 ..... \_\_\_\_\_
2. List any gambling losses from Schedule A, Line 31 ..... \_\_\_\_\_
3. Add Lines 1 and 2 and enter total here ..... \_\_\_\_\_
4. List income reported to other state included on  
Kentucky return..... \_\_\_\_\_
5. Subtract line 4 from line 3 and enter total here ..... \_\_\_\_\_
6. Adjusted gambling losses. Compute gambling losses allowed  
on Kentucky return if income from other state is ignored ..... \_\_\_\_\_
7. Subtract Line 6 from Line 5 and enter total here ..... \_\_\_\_\_
8. Enter Kentucky tax on income amount on Line 7 ..... \_\_\_\_\_
9. Enter Kentucky tax on income amount on Line 1 ..... \_\_\_\_\_
10. Subtract Line 8 from Line 9. This is the tax savings  
on return if other state's income is ignored ..... \_\_\_\_\_
11. Enter tax paid to other state on income claimed on  
Kentucky return..... \_\_\_\_\_
12. Enter the lesser of Line 10 or Line 11. This is your credit for tax paid  
to other state. Carry this total to Form 740, Section A, Line 4..... \_\_\_\_\_

### **Filing an Amended Form 740-NP**

An amended Form 740-NP must be filed by taxpayers who need to report changes on their original Form 740-NP. In order to do so, Form 740-NP must be completed with the correct income and the box marked “Check if Amended Return” located on the top center of the Form 740-NP must be checked.

#### ***Audit Tip:***

*To obtain a refund, the taxpayer must file the amended return within four years of the last day prescribed by law (original due date/extended due date or the date the tax was paid, whichever is later).*

### **Military Issues**

The Military Spouses Residency Relief Act (MSRRA) (Public Law 111-97) was signed into law on November 11, 2009. The MSRRA allows the same residency benefits permitted to military personnel under the Servicemembers Civil Relief Act (SCRA) to also apply to a military spouse's nonmilitary service income, under certain circumstances.

The MSRRA prohibits a servicemember's spouse from either losing or acquiring a residence or domicile for purposes of taxation because he or she is absent or present in any U.S. tax jurisdiction solely to be with the servicemember in compliance with the servicemember's military orders, if the residence or domicile is the same for the servicemember and the spouse.

The MSRRA also prohibits a spouse's income from being considered income earned in a tax jurisdiction if the spouse is not a resident or domiciliary of such jurisdiction when the spouse is in that jurisdiction solely to be with a servicemember serving under military orders.

Military spouses who fall under this law should file Form 740-NP Kentucky Individual Income Tax Nonresident or Part-Year Resident Return to request a refund of the Kentucky income tax withheld from his or her pay. The income

would not be reported as taxable on the Kentucky income tax return. To assist the department in identifying those returns, please write across the top of the return MILITARY SPOUSE. For 2010, those military spouses should file a new Form K-4 with his or her employer to claim the exemption from withholding of Kentucky income tax.

### **Military Pay Income Tax Exemption**

Effective for taxable years beginning on or after January 1, 2010, all military pay received by active duty members of the Armed Forces of the United States, members of reserve components of the Armed Forces of the United States, and members of the National Guard will be exempt from Kentucky income tax.

Provided the military member has no income other than military pay, he or she would not be required to file a Kentucky income tax return. The military pay exemption applies to all Kentucky military members regardless of where the member is stationed. Kentucky income tax should no longer be withheld from checks received for military pay, beginning January 1, 2010. If Kentucky income tax is incorrectly withheld from a soldier's military pay in 2010 and after, the Department of Revenue will refund the tax withheld.





## **Examples**

**Example 1****Fact Pattern:**

Donna Sommers is a full-year resident of Florida. However, her job as a traveling nurse requires her to earn income in multiple states. As a result, Donna Sommers spent October, November and part of December 2010 working in Berea, Kentucky.

|  |                            |   |  |                            |   |                  |
|--|----------------------------|---|--|----------------------------|---|------------------|
| 22222  |                            | a Employee's social security number<br><b>400-12-3456</b> |  | OMB No. 1545-0008          |   |                  |
| b Employer identification number (EIN)<br><b>12-2234985</b>  |                            |   | 1 Wages, tips, other compensation<br><b>41,744</b>   |                            | 2 Federal income tax withheld<br><b>5,836</b> |                  |
| c Employer's name, address, and ZIP code<br><br><b>Fields Healthcare<br/>501 Bedford Road<br/>Lexington, KY 40504</b>                |                            |   | 3 Social security wages<br><b>41,744</b>   |                            | 4 Social security tax withheld                |                  |
|  |                            |   | 5 Medicare wages and tips<br><b>41,744</b>   |                            | 6 Medicare tax withheld                       |                  |
|  |                            |   | 7 Social security tips   |                            | 8 Allocated tips                              |                  |
| d Control number   |                            |   | 9 Advance EIC payment  |                            | 10 Dependent care benefits                    |                  |
| e Employee's first name and initial Last name Suff.<br><br><b>Donna Sommers<br/>414 Orange Grove Lane<br/>Lehigh Acres, FL 33936</b> |                            |   | 11 Nonqualified plans  |                            | 12a   |                  |
|  |                            |   | 13 Statutory employee Retirement plan Third-party sick pay<br><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> |                            | 12b   |                  |
|  |                            |   | 14 Other   |                            | 12c   |                  |
|  |                            |   |  |                            | 12d   |                  |
| f Employee's address and ZIP code  |                            |   |  |                            |   |                  |
| 15 State   | Employer's state ID number | 16 State wages, tips, etc.                                | 17 State income tax  | 18 Local wages, tips, etc. | 19 Local income tax                           | 20 Locality name |
| <b>KY</b>  | <b>0772489</b>             | <b>6,951</b>  | <b>883</b>   | <b>6,951</b>               | <b>139</b>                                    | <b>BREA</b>      |

**Form W-2 Wage and Tax Statement** **2010** Department of the Treasury — Internal Revenue Service  
Copy 1—For State, City, or Local Tax Department

**740-NP**42A740-NP  
Department  
of Revenue

Check if return is:

☐ Amended (Attach  
copy of original return.)**KENTUCKY INDIVIDUAL  
INCOME TAX RETURN**  
Nonresident or Part-Year Resident**Kentucky**  
**2010**

For calendar year or other taxable year beginning \_\_\_\_\_, 2010, and ending \_\_\_\_\_, 20\_\_\_\_

|   |           |  |  |
|---|-----------|--|--|
| A. Spouse's Social Security Number  |           | B. Your Social Security Number<br><b>400-12-3456</b> |  |
| Name—Last, First, Middle Initial (Joint or combined return, give both names and initials.)<br><b>Sommers, Donna</b> |           |  |  |
| Mailing Address (Number and Street or P.O. Box)   |           | Apartment Number                                     |  |
| <b>414 Orange Grove Lane</b>  |           |  |  |
| City, Town or Post Office   | State     | ZIP Code   |  |
| <b>Lehigh Acres</b>   | <b>FL</b> | <b>33936</b>   |  |

  

| FILING<br>STATUS<br><br>(see<br>instructions)   | 1 <input checked="" type="checkbox"/> Single  | <b>POLITICAL PARTY FUND</b><br><i>Designating \$2 will not change your refund or tax due.</i><br><table border="1"> <tr> <th></th> <th>A. Spouse</th> <th>B. Yourself</th> </tr> <tr> <td>Democratic (1)</td> <td><input type="checkbox"/></td> <td>(4) <input type="checkbox"/></td> </tr> <tr> <td>Republican (2)</td> <td><input type="checkbox"/></td> <td>(5) <input type="checkbox"/></td> </tr> <tr> <td>No Designation (3)</td> <td><input type="checkbox"/></td> <td>(6) <input checked="" type="checkbox"/></td> </tr> </table> |                          |                          |                          |                          | A. Spouse                    | B. Yourself | Democratic (1) | <input type="checkbox"/> | (4) <input type="checkbox"/> | Republican (2)           | <input type="checkbox"/> | (5) <input type="checkbox"/> | No Designation (3)       | <input type="checkbox"/> | (6) <input checked="" type="checkbox"/> |                          |
|---|---|---|--------------------------|--------------------------|--------------------------|--------------------------|------------------------------|-------------|----------------|--------------------------|------------------------------|--------------------------|--------------------------|------------------------------|--------------------------|--------------------------|---|--------------------------|
|   |   |   |                          |                          |                          | A. Spouse                | B. Yourself                  |             |                |                          |                              |                          |                          |                              |                          |                          |   |                          |
|   | Democratic (1)  |   |                          |                          |                          | <input type="checkbox"/> | (4) <input type="checkbox"/> |             |                |                          |                              |                          |                          |                              |                          |                          |   |                          |
|   | Republican (2)  |   |                          |                          |                          | <input type="checkbox"/> | (5) <input type="checkbox"/> |             |                |                          |                              |                          |                          |                              |                          |                          |   |                          |
| No Designation (3)  | <input type="checkbox"/>  | (6) <input checked="" type="checkbox"/>   |                          |                          |                          |                          |                              |             |                |                          |                              |                          |                          |                              |                          |                          |   |                          |
| 2 <input type="checkbox"/> Married, filing joint return.  |   |   |                          |                          |                          |                          |                              |             |                |                          |                              |                          |                          |                              |                          |                          |   |                          |
| 3 <input type="checkbox"/> Married, filing separate returns. Enter spouse's Social Security number above and full name here.                        |   |   |                          |                          |                          |                          |                              |             |                |                          |                              |                          |                          |                              |                          |                          |   |                          |
|   |   |   |                          |                          |                          |                          |                              |             |                |                          |                              |                          |                          |                              |                          |                          |   |                          |
| RESIDENCY<br>STATUS<br><br>(check<br>one box)   | 4 <input checked="" type="checkbox"/> Full-year nonresident. I did not live in Kentucky during the year. Enter state of residence as of December 31, 2010 _____   |   |                          |                          |                          |                          |                              |             |                |                          |                              |                          |                          |                              |                          |                          |   |                          |
|   | 5 <input type="checkbox"/> Part-year resident. Complete appropriate line(s) below.  |   |                          |                          |                          |                          |                              |             |                |                          |                              |                          |                          |                              |                          |                          |   |                          |
|   | Moved into Kentucky _____ / _____ / 10 State moved from _____   |   |                          |                          |                          |                          |                              |             |                |                          |                              |                          |                          |                              |                          |                          |   |                          |
|   | Moved out of Kentucky _____ / _____ / 10 State moved to _____   |   |                          |                          |                          |                          |                              |             |                |                          |                              |                          |                          |                              |                          |                          |   |                          |
| 6 <input type="checkbox"/> Full-year resident of a reciprocal state with Kentucky income of wages and salaries only. Circle the state of residence. | <table border="1"> <tr> <td>IL</td> <td>IN</td> <td>MI</td> <td>OH</td> <td>VA</td> <td>WV</td> <td>WI</td> </tr> <tr> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> </table> |   |                          |                          | IL                       | IN                       | MI                           | OH          | VA             | WV                       | WI                           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>                | <input type="checkbox"/> |
| IL  | IN  | MI  | OH                       | VA                       | WV                       | WI                       |                              |             |                |                          |                              |                          |                          |                              |                          |                          |   |                          |
| <input type="checkbox"/>  | <input type="checkbox"/>  | <input type="checkbox"/>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |                              |             |                |                          |                              |                          |                          |                              |                          |                          |   |                          |

➤ **COMPLETE SECTIONS A, B, C AND D ON PAGES 2 THROUGH 4 BEFORE COMPLETING LINES 7 THROUGH 30.**

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1 2 3 4 5

|                   |   |  |               |           |  |
|-------------------|---|--|---------------|-----------|--|
| <b>INCOME/TAX</b> |   |  |               |           |  |
| 7                 | Enter percentage from page 4, line 36..... ➤ 7  | <b>16.5 %</b>  |               |           |  |
| 8                 | Enter amount from page 4, line 35, Column A. This is your <b>Federal Adjusted Gross Income</b> ..... • 8          |  | <b>42,127</b> | <b>00</b> |  |
| 9                 | Enter amount from page 4, line 35, Column B. This is your <b>Kentucky Adjusted Gross Income</b> ..... • 9         |  | <b>6,951</b>  | <b>00</b> |  |
| 10                | <b>Nonitemizers:</b> Enter \$2,210 (do not prorate). Skip lines 11 and 12..... 10                                 |  | <b>2,210</b>  | <b>00</b> |  |
| 11                | <b>Itemizers:</b> Enter itemized deductions from Kentucky Schedule A, Form 740-NP..... • 11                       | <b>5,073</b>   | <b>00</b>     |           |  |
| 12                | Multiply line 11 by the percentage on line 7..... 12  |  | <b>00</b>     |           |  |
| 13                | Subtract line 10 or 12 from line 9. This is your <b>Taxable Income</b> ..... 13                                   |  | <b>4,741</b>  | <b>00</b> |  |
| 14                | Enter tax from Tax Table..... 14  |  | <b>120</b>    | <b>00</b> |  |
| 15                | Enter amount from page 2, Section A, line 19..... 15  |  | <b>00</b>     |           |  |
| 16                | Subtract line 15 from line 14..... 16   |  | <b>00</b>     |           |  |
| 17                | Enter personal tax credit amounts from page 3, Section B, line 4  ..... • 17                                      | <b>20</b>  | <b>00</b>     |           |  |
| 18                | Multiply line 17 by the percentage on line 7..... 18  | <b>3</b>   | <b>00</b>     |           |  |
| 19                | Subtract line 18 from line 16..... 19   |  | <b>117</b>    | <b>00</b> |  |
| 20                | Check the box that represents your total family size (see instructions for lines 20 and 21)..... • 20             | 1 <input checked="" type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> |               |           |  |
| 21                | Multiply line 19 by the <b>Family Size Tax Credit</b> decimal amount ____ (____ %) and enter here..... • 21       |  | <b>0</b>      | <b>00</b> |  |
| 22                | Subtract line 21 from line 19..... 22   |  | <b>117</b>    | <b>00</b> |  |
| 23                | Enter the <b>Education Tuition Tax Credit</b> from Form 8863-K..... • 23  |  | <b>0</b>      | <b>00</b> |  |
| 24                | Subtract line 23 from line 22..... 24   |  | <b>117</b>    | <b>00</b> |  |
| 25                | Enter <b>Child and Dependent Care Credit</b> from worksheet in the instructions..... • 25                         |  | <b>0</b>      | <b>00</b> |  |
| 26                | Subtract line 25 from line 24..... 26   |  | <b>117</b>    | <b>00</b> |  |
| 27                | Enter the <b>New Home Tax Credit</b> (see instructions)..... • 27   |  | <b>0</b>      | <b>00</b> |  |
| 28                | <b>Income Tax Liability.</b> Subtract line 27 from line 26. If line 27 is larger than line 26, enter zero..... 28 |  | <b>117</b>    | <b>00</b> |  |
| 29                | Enter <b>KENTUCKY USE TAX</b> from worksheet in the instructions..... • 29  |  | <b>0</b>      | <b>00</b> |  |
| 30                | Add lines 28 and 29. Enter here and on page 2, line 31..... 30  |  | <b>117</b>    | <b>00</b> |  |

Attach Form W-2(s), Other Supporting Statement(s) and Payment Here—Staple to Top Page Only

FORM 740-NP (2010)



Page 2 of 4

## REFUND/TAX PAYMENT SUMMARY

|  |   |         |     |    |
|--|---|---------|-----|----|
| 31   | Enter amount from page 1, line 30. This is your <b>Total Tax Liability</b> .....  | • 31    | 117 | 00 |
| 32   | (a) Enter <b>Kentucky income tax withheld</b> as shown on attached 2010 Form W-2(s) and other supporting statements ..... | • 32(a) | 883 | 00 |
|  | (b) Enter 2010 Kentucky estimated tax payments .....  | • 32(b) | 00  | 00 |
|  | (c) Enter 2010 refundable certified rehabilitation credit (KRS 141.382(1)(b)) .....                                       | • 32(c) | 00  | 00 |
|  | (d) Enter 2010 film industry tax credit (KRS 141.383) .....   | • 32(d) | 00  | 00 |
|  | (e) Enter <b>Nonresident Withholding</b> from Form PTE-WH, line 9 (KRS 141.206(4)(b)(1)) .....                            | • 32(e) | 00  | 00 |
| 33   | Add lines 32(a) through 32(e) .....   | • 33    | 883 | 00 |
| 34   | If line 33 is larger than line 31, enter <b>AMOUNT OVERPAID</b> (see instructions) .....                                  | • 34    | 766 | 00 |
| <i>Fund Contributions; See instructions.</i> |   |         |     |    |
| 35   | Nature and Wildlife Fund .....  | • 35    | 00  | 00 |
| 36   | Child Victims' Trust Fund .....   | • 36    | 00  | 00 |
| 37   | Veterans' Program Trust Fund .....  | • 37    | 00  | 00 |
| 38   | Breast Cancer Research/Education Trust Fund .....   | • 38    | 00  | 00 |
| 39   | Add lines 35 through 38 .....   | • 39    | 00  | 00 |
| 40   | Amount of line 34 to be <b>CREDITED TO YOUR 2011 ESTIMATED TAX</b> .....  | • 40    | 00  | 00 |
| 41   | Subtract lines 39 and 40 from line 34. Amount to be <b>REFUNDED TO YOU</b> .....  | • 41    | 766 | 00 |
| 42   | If line 31 is larger than line 33, enter <b>ADDITIONAL TAX DUE</b> .....  | • 42    | 00  | 00 |
| 43   | (a) Estimated tax penalty and/or interest. <input type="checkbox"/> Check if Form 2210-K attached....                     | • 43(a) | 00  | 00 |
|  | (b) Interest .....  | • 43(b) | 00  | 00 |
|  | (c) Late payment penalty .....  | • 43(c) | 00  | 00 |
|  | (d) Late filing penalty .....   | • 43(d) | 00  | 00 |
| 44   | Add lines 43(a) through 43(d). Enter here .....   | • 44    | 00  | 00 |
| 45   | Add lines 42 and 44 and enter here. This is the <b>AMOUNT YOU OWE</b> .....   | • 45    | 00  | 00 |

• Make check payable to **Kentucky State Treasurer** or visit [www.revenue.ky.gov](http://www.revenue.ky.gov) for more options.  
• Write your Social Security number and "KY Income Tax—2010" on the check.

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## SECTION A—BUSINESS INCENTIVE AND OTHER TAX CREDITS

|    |  |    |    |
|----|--|----|----|
| 1  | Enter nonrefundable limited liability entity credit (KRS 141.0401(2)) (attach Kentucky Schedule(s) K-1 or Form(s) 725) ..... | 1  | 00 |
| 2  | Enter skills training investment credit (attach copy(ies) of certification) .....  | 2  | 00 |
| 3  | Enter nonrefundable certified rehabilitation credit (KRS 171.397(1)(a)) .....  | 3  | 00 |
| 4  | Enter credit for tax paid to another state (attach copy of other state's return(s)) .....                                    | 4  | 00 |
| 5  | Enter unemployment credit (attach Schedule UTC) .....  | 5  | 00 |
| 6  | Enter recycling and/or composting equipment credit (attach Schedule RC) .....  | 6  | 00 |
| 7  | Enter Kentucky Investment Fund credit (attach copy(ies) of certification) .....  | 7  | 00 |
| 8  | Enter coal incentive credit .....  | 8  | 00 |
| 9  | Enter qualified research facility credit (attach Schedule QR) .....  | 9  | 00 |
| 10 | Enter GED incentive credit (attach Form DAEL-31) .....   | 10 | 00 |
| 11 | Enter voluntary environmental remediation credit (attach Schedule VERB) .....  | 11 | 00 |
| 12 | Enter biodiesel and renewable diesel credit .....  | 12 | 00 |
| 13 | Enter environmental stewardship credit .....   | 13 | 00 |
| 14 | Enter clean coal incentive credit .....  | 14 | 00 |
| 15 | Enter ethanol credit (attach Schedule ETH) .....   | 15 | 00 |
| 16 | Enter cellulosic ethanol credit (attach Schedule CELL) .....   | 16 | 00 |
| 17 | Enter energy efficiency products credit (attach Form 5695-K) .....   | 17 | 00 |
| 18 | Enter railroad maintenance and improvement credit (attach Schedule RR-I) .....   | 18 | 00 |
| 19 | Add lines 1 through 18. Enter here and on page 1, line 15 .....  | 19 | 00 |



FORM 740-NP (2010)



Page 3 of 4

**SECTION B—PERSONAL TAX CREDITS**

Check Regular

Check both if 65 or over

Check both if blind

1 (a) Credits for yourself:



(b) Credits for spouse:



1 Enter number of boxes checked on line 1.....

1

2 Dependents:

| First name | Last name | Dependent's Social Security number | Dependent's relationship to you | Check if qualifying child for family size tax credit |
|------------|-----------|------------------------------------|---------------------------------|--|
|            |           |                                    |                                 | <input type="checkbox"/>                             |
|            |           |                                    |                                 | <input type="checkbox"/>                             |
|            |           |                                    |                                 | <input type="checkbox"/>                             |
|            |           |                                    |                                 | <input type="checkbox"/>                             |

2 Enter number of dependents who:

- lived with you.....
- did not live with you (see instructions).....
- other dependents.....

3 Add lines 1 and 2 and enter here.....

•3 1

x \$20

4 Multiply credits on line 3 by \$20. Enter here and on page 1, line 17.....

4 20

**SECTION C—FAMILY SIZE TAX CREDIT** (List the name and Social Security number of qualifying children that are not claimed as dependents in Section B.)

| First name | Last name | Social Security number | First name | Last name | Social Security number |
|------------|-----------|------------------------|------------|-----------|------------------------|
|            |           |                        |            |           |                        |
|            |           |                        |            |           |                        |

*A copy of pages 1 and 2 of your federal income tax return and all supporting schedules must be attached to Kentucky Form 740-NP.*

I, the undersigned, declare under penalties of perjury that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. I also understand and agree that our election to file a combined return under the provisions of Regulation 103 KAR 17:020 will result in refunds being made payable to us jointly and in each of us being jointly and severally liable for all taxes accruing under this return.

Your Signature (If joint return, both must sign.)

Spouse's Signature

Date Signed

Telephone Number (daytime)

Typed or Printed Name of Preparer Other than Taxpayer

I.D. Number of Preparer

Date

Firm Name

EIN

Date

Mail to:

REFUNDS

Kentucky Department of Revenue, Frankfort, KY 40618-0006.



PAYMENTS

Kentucky Department of Revenue, Frankfort, KY 40619-0008.

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FORM 740-NP (2010)

Page 4 of 4


**SECTION D**  
**INCOME**

|                              |  | A. Total from Attached Federal Return |    | B. Kentucky |    |
|------------------------------|--|---------------------------------------|----|-------------|----|
| 1                            | Enter all wages, salaries, tips, etc. (attach wage and tax statements) Do not include moving expense reimbursements.....   | 41,744                                | 00 | 6,951       | 00 |
| 2                            | Moving expense reimbursement (attach Schedule ME) .....  |                                       | 00 |             | 00 |
| 3                            | Interest.....  |                                       | 00 |             | 00 |
| 4                            | Dividends.....   |                                       | 00 |             | 00 |
| 5                            | Taxable refunds, credits or offsets of state and local income taxes.....   | 383                                   | 00 |             | 00 |
| 6                            | Alimony received .....   |                                       | 00 |             | 00 |
| 7                            | Business income or loss (attach federal Schedule C or C-EZ) .....  |                                       | 00 |             | 00 |
| 8                            | Capital gain or loss (attach federal Schedule D) .....   |                                       | 00 |             | 00 |
| 9                            | Other gains or losses (attach federal Form 4797) .....   |                                       | 00 |             | 00 |
| 10(a)                        | (a) Federally taxable IRA distributions, pensions and annuities .....  |                                       | 00 |             | 00 |
| 10(b)                        | (b) Pension income exclusion (attach Schedule P if more than \$41,110) .....   |                                       | 00 |             | 00 |
| 11                           | Rents, royalties, partnerships, estates, trusts, etc. (attach federal Schedule E).....   |                                       | 00 |             | 00 |
| 12                           | Farm income or loss (attach federal Schedule F) .....  |                                       | 00 |             | 00 |
| 13                           | Unemployment compensation (see instructions).....  |                                       | 00 |             | 00 |
| 14                           | Taxable Social Security benefits.....  |                                       | 00 |             | 00 |
| 15                           | Gambling winnings .....  |                                       | 00 |             | 00 |
| 16                           | Other income (list type and amount) .....  |                                       | 00 |             | 00 |
| 17                           | Combine lines 1 through 16. This is your Total Income .....  | 42,127                                | 00 |             | 00 |
| <b>ADJUSTMENTS TO INCOME</b> |  |                                       |    |             |    |
| 18                           | RESERVED .....   |                                       | 00 |             | 00 |
| 19                           | Certain business expenses of reservists, performing artists and fee-basis government officials (attach federal Form 2106 or 2106-EZ) .....   |                                       | 00 |             | 00 |
| 20                           | Health savings account deduction (attach federal Form 8889) .....  |                                       | 00 |             | 00 |
| 21                           | Moving expenses (attach Schedule ME) .....   |                                       | 00 |             | 00 |
| 22                           | Deduction for one-half of self-employment tax .....  |                                       | 00 |             | 00 |
| 23                           | Self-employed SEP, SIMPLE, and qualified plans deduction .....   |                                       | 00 |             | 00 |
| 24                           | Self-employed health insurance deduction.....  |                                       | 00 |             | 00 |
| 25                           | Penalty on early withdrawal of savings .....   |                                       | 00 |             | 00 |
| 26                           | Alimony paid (enter recipient's name and Social Security number) .....   |                                       | 00 |             | 00 |
| 27                           | IRA deduction.....   |                                       | 00 |             | 00 |
| 28                           | Student loan interest deduction .....  |                                       | 00 |             | 00 |
| 29                           | RESERVED .....   |                                       | 00 |             | 00 |
| 30                           | Domestic production activities deduction .....   |                                       | 00 |             | 00 |
| 31                           | Long-term care insurance premiums (see instructions).....  |                                       | 00 |             | 00 |
| 32                           | Health insurance premiums (see instructions).....  |                                       | 00 |             | 00 |
| 33                           | Other deductions (list type and amount) .....  |                                       | 00 |             | 00 |
| 34                           | Add lines 18 through 33. Total Adjustments to Income .....   |                                       | 00 |             | 00 |
| 35                           | Subtract line 34 from line 17. This is your Adjusted Gross Income .....  | 42,127                                | 00 | 6,951       | 00 |
| 36                           | Divide line 35, Column B, by line 35, Column A. If amount is equal to or greater than 100%, enter 100%. This is your Percentage of Kentucky Adjusted Gross Income to Federal Adjusted Gross Income ..... | 16 . 5 %                              |    |             |    |

**Example 2****Fact Pattern:**

Butch and Paula Cassady, and their three children moved from Kentucky to Indiana on June 30, 2010. Butch is a partner in a company that has a presence in Kentucky and receives a Kentucky K-1 for income that is attributed to Kentucky. While living in Kentucky, Butch also worked for a company in which he earned a wage. As a result, Butch received a W-2 from that company.



**740-NP**42A740-NP  
Department  
of RevenueCheck if return is:  
☐ Amended (Attach  
copy of original return.)**KENTUCKY INDIVIDUAL  
INCOME TAX RETURN**  
Nonresident or Part-Year Resident**2010**

For calendar year or other taxable year beginning \_\_\_\_\_, 2010, and ending \_\_\_\_\_, 20\_\_\_\_\_

|  |  |  |                          |
|--|--|--|--------------------------|
| A. Spouse's Social Security Number<br><b>304-52-1234</b>   |  | B. Your Social Security Number<br><b>309-80-1324</b> |                          |
| Name—Last, First, Middle Initial (Joint or combined return, give both names and initials.)<br><b>Cassady, Butch and Paula M.</b> |  |  |                          |
| Mailing Address (Number and Street or P.O. Box)<br><b>3601 Dunbar Parkway</b>  |  | Apartment Number                                     |                          |
| City, Town or Post Office<br><b>Floyds Knob</b>  |  | State<br><b>IN</b>                                   | ZIP Code<br><b>47119</b> |

|                                     |  |   |  |   |   |
|-------------------------------------|--|---|--|---|---|
| FILING STATUS<br>(see instructions) | 1 <input type="checkbox"/> Single  | POLITICAL PARTY FUND<br>Designating \$2 will not change your refund or tax due.   |  |   |   |
|                                     | 2 <input checked="" type="checkbox"/> Married, filing joint return.  | A. Spouse B. Yourself   |  |   |   |
|                                     | 3 <input type="checkbox"/> Married, filing separate returns. Enter spouse's Social Security number above and full name here, _____   | Democratic (1) <input type="checkbox"/>   | Republican (2) <input checked="" type="checkbox"/> | No Designation (3) <input type="checkbox"/> | (4) <input type="checkbox"/> (5) <input checked="" type="checkbox"/> (6) <input type="checkbox"/> |
| RESIDENCY STATUS<br>(check one box) | 4 <input type="checkbox"/> Full-year nonresident. I did not live in Kentucky during the year. Enter state of residence as of December 31, 2010 _____   |   |  |   |   |
|                                     | 5 <input checked="" type="checkbox"/> Part-year resident. Complete appropriate line(s) below.<br>Moved into Kentucky _____ / _____ / <b>10</b> State moved from _____<br>Moved out of Kentucky <b>06</b> / <b>30</b> / <b>10</b> State moved to <b>Indiana</b> |   |  |   |   |
|                                     | 6 <input type="checkbox"/> Full-year resident of a reciprocal state with Kentucky income of wages and salaries only. Circle the state of residence.  | <input type="checkbox"/> IL <input type="checkbox"/> IN <input type="checkbox"/> MI <input type="checkbox"/> OH <input type="checkbox"/> VA <input type="checkbox"/> WV <input type="checkbox"/> WI |  |   |   |

➔ COMPLETE SECTIONS A, B, C AND D ON PAGES 2 THROUGH 4 BEFORE COMPLETING LINES 7 THROUGH 30.

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| INCOME/TAX |  |  |                |           |  |
|------------|--|--|----------------|-----------|--|
| 7          | Enter percentage from page 4, line 36..... ➔ 7   | <b>50</b>  | <b>.8</b>      | %         |  |
| 8          | Enter amount from page 4, line 35, Column A. This is your Federal Adjusted Gross Income..... • 8           |  | <b>382,941</b> | <b>00</b> |  |
| 9          | Enter amount from page 4, line 35, Column B. This is your Kentucky Adjusted Gross Income..... • 9          |  | <b>194,494</b> | <b>00</b> |  |
| 10         | Nonitemizers: Enter \$2,210 (do not prorate). Skip lines 11 and 12..... 10                                 |  |                | <b>00</b> |  |
| 11         | Itemizers: Enter itemized deductions from Kentucky Schedule A, Form 740-NP..... • 11                       | <b>21,039</b>  | <b>00</b>      |           |  |
| 12         | Multiply line 11 by the percentage on line 7..... 12   | <b>10,686</b>  | <b>00</b>      |           |  |
| 13         | Subtract line 10 or 12 from line 9. This is your Taxable Income..... 13                                    |  | <b>183,808</b> | <b>00</b> |  |
| 14         | Enter tax from Tax Table..... 14   |  | <b>10,694</b>  | <b>00</b> |  |
| 15         | Enter amount from page 2, Section A, line 19..... 15   |  | <b>6,018</b>   | <b>00</b> |  |
| 16         | Subtract line 15 from line 14..... 16  |  | <b>4,676</b>   | <b>00</b> |  |
| 17         | Enter personal tax credit amounts from page 3, Section B, line 4   ..... • 17                              | <b>100</b>   | <b>00</b>      |           |  |
| 18         | Multiply line 17 by the percentage on line 7..... 18   | <b>51</b>  | <b>00</b>      |           |  |
| 19         | Subtract line 18 from line 16..... 19  |  | <b>4,625</b>   | <b>00</b> |  |
| 20         | Check the box that represents your total family size (see instructions for lines 20 and 21)..... • 20      | 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input checked="" type="checkbox"/> |                |           |  |
| 21         | Multiply line 19 by the Family Size Tax Credit decimal amount _____ (_____% ) and enter here..... • 21     |  | <b>0</b>       | <b>00</b> |  |
| 22         | Subtract line 21 from line 19..... 22  |  | <b>4,625</b>   | <b>00</b> |  |
| 23         | Enter the Education Tuition Tax Credit from Form 8863-K..... • 23  |  | <b>0</b>       | <b>00</b> |  |
| 24         | Subtract line 23 from line 22..... 24  |  | <b>4,625</b>   | <b>00</b> |  |
| 25         | Enter Child and Dependent Care Credit from worksheet in the instructions..... • 25                         |  | <b>0</b>       | <b>00</b> |  |
| 26         | Subtract line 25 from line 24..... 26  |  | <b>4,625</b>   | <b>00</b> |  |
| 27         | Enter the New Home Tax Credit (see instructions)..... • 27   |  | <b>0</b>       | <b>00</b> |  |
| 28         | Income Tax Liability. Subtract line 27 from line 26. If line 27 is larger than line 26, enter zero..... 28 |  | <b>4,625</b>   | <b>00</b> |  |
| 29         | Enter KENTUCKY USE TAX from worksheet in the instructions..... • 29  |  | <b>0</b>       | <b>00</b> |  |
| 30         | Add lines 28 and 29. Enter here and on page 2, line 31..... 30   |  | <b>4,625</b>   | <b>00</b> |  |

Attach Form W-2(s), Other Supporting Statement(s) and Payment Here—Staple to Top Page Only

FORM 740-NP (2010)



Page 2 of 4

## REFUND/TAX PAYMENT SUMMARY

|   |   |         |       |                          |
|---|---|---------|-------|--------------------------|
| 31  | Enter amount from page 1, line 30. This is your <b>Total Tax Liability</b> .....  | • 31    | 4,625 | 00                       |
| 32  | (a) Enter <b>Kentucky income tax withheld</b> as shown on attached 2010 Form W-2(s) and other supporting statements ..... | • 32(a) | 692   | 00                       |
|   | (b) Enter 2010 Kentucky estimated tax payments .....  | • 32(b) | 1,440 | 00                       |
|   | (c) Enter 2010 refundable certified rehabilitation credit (KRS 141.382(1)(b)) .....                                       | • 32(c) |       | 00                       |
|   | (d) Enter 2010 film industry tax credit (KRS 141.383) .....   | • 32(d) |       | 00                       |
|   | (e) Enter <b>Nonresident Withholding</b> from Form PTE-WH, line 9 (KRS 141.206(4)(b)(1)) .....                            | • 32(e) |       | 00                       |
| 33  | Add lines 32(a) through 32(e) .....   | • 33    | 2,132 | 00                       |
| 34  | If line 33 is larger than line 31, enter <b>AMOUNT OVERPAID</b> (see instructions) .....                                  | • 34    |       | 00                       |
| <i>Fund Contributions; See instructions.</i>  |   |         |       |                          |
| 35  | <b>Nature and Wildlife Fund</b> .....   | • 35    |       | 00                       |
| 36  | <b>Child Victims' Trust Fund</b> .....  | • 36    |       | 00                       |
| 37  | <b>Veterans' Program Trust Fund</b> .....   | • 37    |       | 00                       |
| 38  | <b>Breast Cancer Research/Education Trust Fund</b> .....  | • 38    |       | 00                       |
| 39  | Add lines 35 through 38 .....   | • 39    |       | 00                       |
| 40  | Amount of line 34 to be <b>CREDITED TO YOUR 2011 ESTIMATED TAX</b> .....  | • 40    |       | 00                       |
| 41  | Subtract lines 39 and 40 from line 34. Amount to be <b>REFUNDED TO YOU</b> .....  | • 41    |       | 00                       |
| 42  | If line 31 is larger than line 33, enter <b>ADDITIONAL TAX DUE</b> .....  | • 42    | 2,493 | 00                       |
| 43  | (a) Estimated tax penalty and/or interest. <input checked="" type="checkbox"/> Check if Form 2210-K attached....          | • 43(a) | 193   | 00                       |
|   | (b) Interest .....  | • 43(b) |       | 00                       |
|   | (c) Late payment penalty .....  | • 43(c) |       | 00                       |
|   | (d) Late filing penalty .....   | • 43(d) |       | 00                       |
| 44  | Add lines 43(a) through 43(d). Enter here .....   | • 44    | 193   | 00                       |
| 45  | Add lines 42 and 44 and enter here. This is the <b>AMOUNT YOU OWE</b> .....   | • 45    | 2,686 | 00                       |
| <ul style="list-style-type: none"> <li>Make check payable to <b>Kentucky State Treasurer</b> or visit <a href="http://www.revenue.ky.gov">www.revenue.ky.gov</a> for more options.</li> <li>Write your Social Security number and "KY Income Tax—2010" on the check.</li> </ul> |   |         |       |                          |
|   |   |         |       | <b>OFFICIAL USE ONLY</b> |
|   |   |         |       | <b>PWR</b>               |

## SECTION A—BUSINESS INCENTIVE AND OTHER TAX CREDITS

|    |  |    |       |    |
|----|--|----|-------|----|
| 1  | Enter nonrefundable limited liability entity credit (KRS 141.0401(2)) (attach Kentucky Schedule(s) K-1 or Form(s) 725) ..... | 1  |       | 00 |
| 2  | Enter skills training investment credit (attach copy(ies) of certification) .....  | 2  |       | 00 |
| 3  | Enter nonrefundable certified rehabilitation credit (KRS 171.397(1)(a)) .....  | 3  |       | 00 |
| 4  | Enter credit for tax paid to another state (attach copy of other state's return(s)) .....                                    | 4  | 6,018 | 00 |
| 5  | Enter unemployment credit (attach Schedule UTC) .....  | 5  |       | 00 |
| 6  | Enter recycling and/or composting equipment credit (attach Schedule RC) .....  | 6  |       | 00 |
| 7  | Enter Kentucky Investment Fund credit (attach copy(ies) of certification) .....  | 7  |       | 00 |
| 8  | Enter coal incentive credit .....  | 8  |       | 00 |
| 9  | Enter qualified research facility credit (attach Schedule OR) .....  | 9  |       | 00 |
| 10 | Enter GED incentive credit (attach Form DAEL-31) .....   | 10 |       | 00 |
| 11 | Enter voluntary environmental remediation credit (attach Schedule VERB) .....  | 11 |       | 00 |
| 12 | Enter biodiesel and renewable diesel credit .....  | 12 |       | 00 |
| 13 | Enter environmental stewardship credit .....   | 13 |       | 00 |
| 14 | Enter clean coal incentive credit .....  | 14 |       | 00 |
| 15 | Enter ethanol credit (attach Schedule ETH) .....   | 15 |       | 00 |
| 16 | Enter cellulosic ethanol credit (attach Schedule CELL) .....   | 16 |       | 00 |
| 17 | Enter energy efficiency products credit (attach Form 5695-K) .....   | 17 |       | 00 |
| 18 | Enter railroad maintenance and improvement credit (attach Schedule RR-I) .....   | 18 |       | 00 |
| 19 | Add lines 1 through 18. Enter here and on page 1, line 15 .....  | 19 | 6,018 | 00 |

FORM 740-NP (2010)



Page 3 of 4

**SECTION B—PERSONAL TAX CREDITS**

Check Regular

Check both if 65 or over

Check both if blind

1 (a) Credits for yourself:



(b) Credits for spouse:



1 Enter number of boxes checked on line 1

2

2 Dependents:

| First name | Last name | Dependent's Social Security number | Dependent's relationship to you | Check if qualifying child for family size tax credit |
|------------|-----------|------------------------------------|---------------------------------|--|
| Scott      | Cassady   | 311-08-3333                        | Child                           | <input checked="" type="checkbox"/>                  |
| Christine  | Cassady   | 306-06-1444                        | Child                           | <input checked="" type="checkbox"/>                  |
| Bo         | Cassady   | 300-96-5557                        | Child                           | <input checked="" type="checkbox"/>                  |
|            |           |                                    |                                 | <input type="checkbox"/>                             |

2 Enter number of dependents who:

- lived with you
- did not live with you (see instructions)
- other dependents

3

3 Add lines 1 and 2 and enter here

• 3 5

x \$20

4 Multiply credits on line 3 by \$20. Enter here and on page 1, line 17

4 100

**SECTION C—FAMILY SIZE TAX CREDIT** (List the name and Social Security number of qualifying children that are not claimed as dependents in Section B.)

| First name | Last name | Social Security number | First name | Last name | Social Security number |
|------------|-----------|------------------------|------------|-----------|------------------------|
|            |           |                        |            |           |                        |
|            |           |                        |            |           |                        |

*A copy of pages 1 and 2 of your federal income tax return and all supporting schedules must be attached to Kentucky Form 740-NP.*

I, the undersigned, declare under penalties of perjury that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. I also understand and agree that our election to file a combined return under the provisions of Regulation 103 KAR 17:020 will result in refunds being made payable to us jointly and in each of us being jointly and severally liable for all taxes accruing under this return.

Your Signature (If joint return, both must sign.)

Spouse's Signature

Date Signed

Telephone Number (daytime)

Typed or Printed Name of Preparer Other than Taxpayer

I.D. Number of Preparer

Date

Firm Name

EIN

Date

Mail to:

REFUNDS

Kentucky Department of Revenue, Frankfort, KY 40618-0006.



PAYMENTS

Kentucky Department of Revenue, Frankfort, KY 40619-0008.

Official Use Only

EST CF NT P B F R



## FORM 740-NP (2010)

Page 4 of 4

SECTION D  
INCOME

|                              |  | A.Total from Attached Federal Return |    | B.Kentucky |    |
|------------------------------|--|--------------------------------------|----|------------|----|
| 1                            | Enter all wages, salaries, tips, etc. (attach wage and tax statements) Do not include moving expense reimbursements.....   | 25,995                               | 00 | 15,583     | 00 |
| 2                            | Moving expense reimbursement (attach Schedule ME) .....  |                                      | 00 |            | 00 |
| 3                            | Interest.....  | 615                                  | 00 | 307        | 00 |
| 4                            | Dividends.....   | 1,680                                | 00 | 840        | 00 |
| 5                            | Taxable refunds, credits or offsets of state and local income taxes.....   |                                      | 00 |            | 00 |
| 6                            | Alimony received.....  |                                      | 00 |            | 00 |
| 7                            | Business income or loss (attach federal Schedule C or C-EZ) .....  |                                      | 00 |            | 00 |
| 8                            | Capital gain or loss (attach federal Schedule D) .....   | 735                                  | 00 | 735        | 00 |
| 9                            | Other gains or losses (attach federal Form 4797) .....   |                                      | 00 |            | 00 |
| 10(a)                        | Federally taxable IRA distributions, pensions and annuities .....  |                                      | 00 |            | 00 |
| 10(b)                        | Pension income exclusion (attach Schedule P if more than \$41,110) .....   |                                      | 00 |            | 00 |
| 11                           | Rents, royalties, partnerships, estates, trusts, etc. (attach federal Schedule E).....   | 415,111                              | 00 | 207,591    | 00 |
| 12                           | Farm income or loss (attach federal Schedule F) .....  |                                      | 00 |            | 00 |
| 13                           | Unemployment compensation (see instructions).....  |                                      | 00 |            | 00 |
| 14                           | Taxable Social Security benefits.....  |                                      | 00 |            | 00 |
| 15                           | Gambling winnings .....  |                                      | 00 |            | 00 |
| 16                           | Other income (list type and amount) .....  |                                      | 00 | 35         | 00 |
| 17                           | Combine lines 1 through 16. This is your Total Income .....  | 444,136                              | 00 | 225,091    | 00 |
| <b>ADJUSTMENTS TO INCOME</b> |  |                                      |    |            |    |
| 18                           | RESERVED .....   |                                      | 00 |            | 00 |
| 19                           | Certain business expenses of reservists, performing artists and fee-basis government officials (attach federal Form 2106 or 2106-EZ) .....   |                                      | 00 |            | 00 |
| 20                           | Health savings account deduction (attach federal Form 8889) .....  |                                      | 00 |            | 00 |
| 21                           | Moving expenses (attach Schedule ME) .....   |                                      | 00 |            | 00 |
| 22                           | Deduction for one-half of self-employment tax .....  | 12,195                               | 00 | 6,097      | 00 |
| 23                           | Self-employed SEP, SIMPLE, and qualified plans deduction .....   | 49,000                               | 00 | 24,500     | 00 |
| 24                           | Self-employed health insurance deduction.....  |                                      | 00 |            | 00 |
| 25                           | Penalty on early withdrawal of savings .....   |                                      | 00 |            | 00 |
| 26                           | Alimony paid (enter recipient's name and Social Security number) .....   |                                      | 00 |            | 00 |
| 27                           | IRA deduction.....   |                                      | 00 |            | 00 |
| 28                           | Student loan interest deduction .....  |                                      | 00 |            | 00 |
| 29                           | RESERVED .....   |                                      | 00 |            | 00 |
| 30                           | Domestic production activities deduction .....   |                                      | 00 |            | 00 |
| 31                           | Long-term care insurance premiums (see instructions).....  |                                      | 00 |            | 00 |
| 32                           | Health insurance premiums (see instructions).....  |                                      | 00 |            | 00 |
| 33                           | Other deductions (list type and amount) .....  |                                      | 00 |            | 00 |
| 34                           | Add lines 18 through 33. Total Adjustments to Income .....   | 61,195                               | 00 | 30,597     | 00 |
| 35                           | Subtract line 34 from line 17. This is your Adjusted Gross Income .....  | 382,941                              | 00 | 194,494    | 00 |
| 36                           | Divide line 35, Column B, by line 35, Column A. If amount is equal to or greater than 100%, enter 100%. This is your Percentage of Kentucky Adjusted Gross Income to Federal Adjusted Gross Income ..... | 50 . 8 %                             |    |            |    |

**Example 3****Fact Pattern:**

Rhianna Stewart is a full-year resident of Indiana. Rhianna is the sole proprietor of a cleaning business in which she receives the majority of her income. The cleaning business has several clients in Kentucky.

**740-NP**42A740-NP  
Department  
of RevenueCheck if return is:  
☐ Amended (Attach  
copy of original return.)**KENTUCKY INDIVIDUAL  
INCOME TAX RETURN**  
Nonresident or Part-Year Resident**2010**

For calendar year or other taxable year beginning \_\_\_\_\_, 2010, and ending \_\_\_\_\_, 20\_\_\_\_

|  |  |                                |          |
|--|--|--------------------------------|----------|
| A. Spouse's Social Security Number   |  | B. Your Social Security Number |          |
|  |  | 222-66-3339                    |          |
| Name—Last, First, Middle Initial (Joint or combined return, give both names and initials.) |  |                                |          |
| Stewart, Rhianna   |  |                                |          |
| Mailing Address (Number and Street or R.O. Box)  |  | Apartment Number               |          |
| 1701 N. Tilton Ave   |  |                                |          |
| City, Town or Post Office  |  | State                          | ZIP Code |
| Muncie   |  | IN                             | 47304    |

| FILING<br>STATUS<br>(see<br>instructions)  | 1 <input checked="" type="checkbox"/> Single  | <b>POLITICAL PARTY FUND</b><br><i>Designating \$2 will not change your refund or tax due.</i><br><table border="1"> <tr> <th colspan="2">A. Spouse</th> <th colspan="2">B. Yourself</th> </tr> <tr> <td>Democratic (1)</td> <td><input type="checkbox"/></td> <td>(4)</td> <td><input type="checkbox"/></td> </tr> <tr> <td>Republican (2)</td> <td><input type="checkbox"/></td> <td>(5)</td> <td><input type="checkbox"/></td> </tr> <tr> <td>No Designation (3)</td> <td><input checked="" type="checkbox"/></td> <td>(6)</td> <td><input checked="" type="checkbox"/></td> </tr> </table> |                                     | A. Spouse                |                          | B. Yourself              |                          | Democratic (1)           | <input type="checkbox"/> | (4) | <input type="checkbox"/> | Republican (2)           | <input type="checkbox"/> | (5)                      | <input type="checkbox"/> | No Designation (3)       | <input checked="" type="checkbox"/> | (6) | <input checked="" type="checkbox"/> |
|--|---|---|-------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-----|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------------------|-----|-------------------------------------|
|  | A. Spouse   |   |                                     | B. Yourself              |                          |                          |                          |                          |                          |     |                          |                          |                          |                          |                          |                          |                                     |     |                                     |
|  | Democratic (1)  |   |                                     | <input type="checkbox"/> | (4)                      | <input type="checkbox"/> |                          |                          |                          |     |                          |                          |                          |                          |                          |                          |                                     |     |                                     |
| Republican (2)   | <input type="checkbox"/>  | (5)   | <input type="checkbox"/>            |                          |                          |                          |                          |                          |                          |     |                          |                          |                          |                          |                          |                          |                                     |     |                                     |
| No Designation (3)   | <input checked="" type="checkbox"/>   | (6)   | <input checked="" type="checkbox"/> |                          |                          |                          |                          |                          |                          |     |                          |                          |                          |                          |                          |                          |                                     |     |                                     |
| 2 <input type="checkbox"/> Married, filing joint return.   |   |   |                                     |                          |                          |                          |                          |                          |                          |     |                          |                          |                          |                          |                          |                          |                                     |     |                                     |
| 3 <input type="checkbox"/> Married, filing separate returns. Enter spouse's Social Security number above and full name here. _____   |   |   |                                     |                          |                          |                          |                          |                          |                          |     |                          |                          |                          |                          |                          |                          |                                     |     |                                     |
| RESIDENCY<br>STATUS<br>(check<br>one box)  | 4 <input checked="" type="checkbox"/> Full-year nonresident. I did not live in Kentucky during the year. Enter state of residence as of December 31, 2010 _____ | <table border="1"> <tr> <td>IL</td> <td>IN</td> <td>MI</td> <td>OH</td> <td>VA</td> <td>WV</td> <td>WI</td> </tr> <tr> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> </table>   |                                     | IL                       | IN                       | MI                       | OH                       | VA                       | WV                       | WI  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            |     |                                     |
|  | IL  |   |                                     | IN                       | MI                       | OH                       | VA                       | WV                       | WI                       |     |                          |                          |                          |                          |                          |                          |                                     |     |                                     |
|  | <input type="checkbox"/>  |   |                                     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |     |                          |                          |                          |                          |                          |                          |                                     |     |                                     |
| 5 <input type="checkbox"/> Part-year resident. Complete appropriate line(s) below.<br>Moved into Kentucky ____/____/10. State moved from _____<br>Moved out of Kentucky ____/____/10. State moved to _____ |   |   |                                     |                          |                          |                          |                          |                          |                          |     |                          |                          |                          |                          |                          |                          |                                     |     |                                     |
| 6 <input type="checkbox"/> Full-year resident of a reciprocal state with Kentucky income of wages and salaries only. Circle the state of residence. _____  |   |   |                                     |                          |                          |                          |                          |                          |                          |     |                          |                          |                          |                          |                          |                          |                                     |     |                                     |

➔ COMPLETE SECTIONS A, B, C AND D ON PAGES 2 THROUGH 4 BEFORE COMPLETING LINES 7 THROUGH 30.

OFFICIAL USE ONLY  
1 2 3 4 5

|                   |   |    |  |    |
|-------------------|---|----|--|----|
| <b>INCOME/TAX</b> |   |    |  |    |
| 7                 | Enter percentage from page 4, line 36.....  | 7  | 27.3 %   |    |
| 8                 | Enter amount from page 4, line 35, Column A. This is your Federal Adjusted Gross Income .....           | 8  | 110,028  | 00 |
| 9                 | Enter amount from page 4, line 35, Column B. This is your Kentucky Adjusted Gross Income .....          | 9  | 30,038   | 00 |
| 10                | Nonitemizers: Enter \$2,210 (do not prorate). Skip lines 11 and 12 .....                                | 10 |  | 00 |
| 11                | Itemizers: Enter itemized deductions from Kentucky Schedule A, Form 740-NP .....                        | 11 | 9,820  | 00 |
| 12                | Multiply line 11 by the percentage on line 7.....   | 12 | 2,681  | 00 |
| 13                | Subtract line 10 or 12 from line 9. This is your Taxable Income .....                                   | 13 | 27,357   | 00 |
| 14                | Enter tax from Tax Table.....   | 14 | 1,402  | 00 |
| 15                | Enter amount from page 2, Section A, line 19.....   | 15 |  | 00 |
| 16                | Subtract line 15 from line 14.....  | 16 | 1,402  | 00 |
| 17                | Enter personal tax credit amounts from page 3, Section B, line 4   .....                                | 17 | 20   | 00 |
| 18                | Multiply line 17 by the percentage on line 7.....   | 18 | 5  | 00 |
| 19                | Subtract line 18 from line 16.....  | 19 | 1,397  | 00 |
| 20                | Check the box that represents your total family size (see instructions for lines 20 and 21) .....       | 20 | 1 <input checked="" type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> |    |
| 21                | Multiply line 19 by the Family Size Tax Credit decimal amount ____ (____ %) and enter here.....         | 21 | 0  | 00 |
| 22                | Subtract line 21 from line 19.....  | 22 | 1,397  | 00 |
| 23                | Enter the Education Tuition Tax Credit from Form 8863-K.....  | 23 | 0  | 00 |
| 24                | Subtract line 23 from line 22 .....   | 24 | 1,397  | 00 |
| 25                | Enter Child and Dependent Care Credit from worksheet in the instructions .....                          | 25 | 0  | 00 |
| 26                | Subtract line 25 from line 24 .....   | 26 | 1,397  | 00 |
| 27                | Enter the New Home Tax Credit (see instructions) .....  | 27 | 0  | 00 |
| 28                | Income Tax Liability. Subtract line 27 from line 26. If line 27 is larger than line 26, enter zero..... | 28 | 1,397  | 00 |
| 29                | Enter KENTUCKY USE TAX from worksheet in the instructions .....   | 29 | 0  | 00 |
| 30                | Add lines 28 and 29. Enter here and on page 2, line 31 .....  | 30 | 1,397  | 00 |

Attach Form W-2(s), Other Supporting Statement(s) and Payment Here—Staple to Top Page Only



FORM 740-NP (2010)



Page 2 of 4

## REFUND/TAX PAYMENT SUMMARY

|   |   |  |                   |          |
|---|---|--|-------------------|----------|
| 31  | Enter amount from page 1, line 30. This is your <b>Total Tax Liability</b> .....  | • 31   | 1,397             | 00       |
| 32  | (a) Enter <b>Kentucky income tax withheld</b> as shown on attached 2010 Form W-2(s) and other supporting statements ..... | • 32(a)  | 00                |          |
|   | (b) Enter 2010 Kentucky estimated tax payments .....  | • 32(b)  | 00                |          |
|   | (c) Enter 2010 refundable certified rehabilitation credit (KRS 141.382(1)(b)) .....                                       | • 32(c)  | 00                |          |
|   | (d) Enter 2010 film industry tax credit (KRS 141.383) .....   | • 32(d)  | 00                |          |
|   | (e) Enter <b>Nonresident Withholding</b> from Form PTE-WH, line 9 (KRS 141.206(4)(b)(1)) .....                            | • 32(e)  | 00                |          |
| 33  | Add lines 32(a) through 32(e) .....   | • 33   |                   | 00       |
| 34  | If line 33 is larger than line 31, enter <b>AMOUNT OVERPAID</b> (see instructions) .....                                  | • 34   |                   | 00       |
| <i>Fund Contributions; See instructions.</i>  |   |  |                   |          |
| ➤ (Enter amount(s) checked)   |   |  |                   |          |
| 35  | Nature and Wildlife Fund.....   | <input type="checkbox"/> \$10 <input type="checkbox"/> \$25 <input type="checkbox"/> \$50 <input type="checkbox"/> Other | • 35              | 00       |
| 36  | Child Victims' Trust Fund .....   | <input type="checkbox"/> \$10 <input type="checkbox"/> \$25 <input type="checkbox"/> \$50 <input type="checkbox"/> Other | • 36              | 00       |
| 37  | Veterans' Program Trust Fund .....  | <input type="checkbox"/> \$10 <input type="checkbox"/> \$25 <input type="checkbox"/> \$50 <input type="checkbox"/> Other | • 37              | 00       |
| 38  | Breast Cancer Research/Education Trust Fund .....   | <input type="checkbox"/> \$10 <input type="checkbox"/> \$25 <input type="checkbox"/> \$50 <input type="checkbox"/> Other | • 38              | 00       |
| 39  | Add lines 35 through 38 .....   |  | • 39              | 00       |
| 40  | Amount of line 34 to be <b>CREDITED TO YOUR 2011 ESTIMATED TAX</b> .....  |  | • 40              | 00       |
| 41  | Subtract lines 39 and 40 from line 34. Amount to be <b>REFUNDED TO YOU</b> .....  | <b>REFUND</b>  | • 41              | 00       |
| 42  | If line 31 is larger than line 33, enter <b>ADDITIONAL TAX DUE</b> .....  |  | • 42              | 1,397 00 |
| 43  | (a) Estimated tax penalty and/or interest. <input type="checkbox"/> Check if Form 2210-K attached....                     | • 43(a)  | 00                |          |
|   | (b) Interest .....  | • 43(b)  | 00                |          |
|   | (c) Late payment penalty .....  | • 43(c)  | 00                |          |
|   | (d) Late filing penalty .....   | • 43(d)  | 00                |          |
| 44  | Add lines 43(a) through 43(d). Enter here .....   |  | • 44              | 00       |
| 45  | Add lines 42 and 44 and enter here. This is the <b>AMOUNT YOU OWE</b> .....   | <b>OWE</b>   | • 45              | 1,397 00 |
| <ul style="list-style-type: none"> <li>Make check payable to <b>Kentucky State Treasurer</b> or visit <a href="http://www.revenue.ky.gov">www.revenue.ky.gov</a> for more options.</li> <li>Write your Social Security number and "KY Income Tax—2010" on the check.</li> </ul> |   |  |                   |          |
|   |   |  | OFFICIAL USE ONLY |          |
|   |   |  | PWR               |          |

## SECTION A—BUSINESS INCENTIVE AND OTHER TAX CREDITS

|    |  |    |    |
|----|--|----|----|
| 1  | Enter nonrefundable limited liability entity credit (KRS 141.0401(2)) (attach Kentucky Schedule(s) K-1 or Form(s) 725) ..... | 1  | 00 |
| 2  | Enter skills training investment credit (attach copy(ies) of certification) .....  | 2  | 00 |
| 3  | Enter nonrefundable certified rehabilitation credit (KRS 171.397(1)(a)) .....  | 3  | 00 |
| 4  | Enter credit for tax paid to another state (attach copy of other state's return(s)) .....                                    | 4  | 00 |
| 5  | Enter unemployment credit (attach Schedule UTC) .....  | 5  | 00 |
| 6  | Enter recycling and/or composting equipment credit (attach Schedule RC) .....  | 6  | 00 |
| 7  | Enter Kentucky Investment Fund credit (attach copy(ies) of certification) .....  | 7  | 00 |
| 8  | Enter coal incentive credit .....  | 8  | 00 |
| 9  | Enter qualified research facility credit (attach Schedule QR) .....  | 9  | 00 |
| 10 | Enter GED incentive credit (attach Form DAEL-31) .....   | 10 | 00 |
| 11 | Enter voluntary environmental remediation credit (attach Schedule VERB) .....  | 11 | 00 |
| 12 | Enter biodiesel and renewable diesel credit .....  | 12 | 00 |
| 13 | Enter environmental stewardship credit .....   | 13 | 00 |
| 14 | Enter clean coal incentive credit .....  | 14 | 00 |
| 15 | Enter ethanol credit (attach Schedule ETH) .....   | 15 | 00 |
| 16 | Enter cellulosic ethanol credit (attach Schedule CELL) .....   | 16 | 00 |
| 17 | Enter energy efficiency products credit (attach Form 5695-K) .....   | 17 | 00 |
| 18 | Enter railroad maintenance and improvement credit (attach Schedule RR-I) .....   | 18 | 00 |
| 19 | Add lines 1 through 18. Enter here and on page 1, line 15 .....  | 19 | 00 |

FORM 740-NP (2010)



Page 3 of 4

**SECTION B—PERSONAL TAX CREDITS**

Check Regular

Check both if 65 or over

Check both if blind

1 (a) Credits for yourself:



(b) Credits for spouse:



1 Enter number of boxes checked on line 1

1

2 Dependents:

| First name | Last name | Dependent's Social Security number | Dependent's relationship to you | Check if qualifying child for family size tax credit |
|------------|-----------|------------------------------------|---------------------------------|--|
|            |           |                                    |                                 | <input type="checkbox"/>                             |
|            |           |                                    |                                 | <input type="checkbox"/>                             |
|            |           |                                    |                                 | <input type="checkbox"/>                             |
|            |           |                                    |                                 | <input type="checkbox"/>                             |

2 Enter number of dependents who:

• lived with you

• did not live with you (see instructions)

• other dependents

3 Add lines 1 and 2 and enter here

• 3 1

x \$20

4 Multiply credits on line 3 by \$20. Enter here and on page 1, line 17

4 20

**SECTION C—FAMILY SIZE TAX CREDIT** (List the name and Social Security number of qualifying children that are not claimed as dependents in Section B.)

| First name | Last name | Social Security number | First name | Last name | Social Security number |
|------------|-----------|------------------------|------------|-----------|------------------------|
|            |           |                        |            |           |                        |
|            |           |                        |            |           |                        |

*A copy of pages 1 and 2 of your federal income tax return and all supporting schedules must be attached to Kentucky Form 740-NP.*

I, the undersigned, declare under penalties of perjury that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. I also understand and agree that our election to file a combined return under the provisions of Regulation 103 KAR 17:020 will result in refunds being made payable to us jointly and in each of us being jointly and severally liable for all taxes accruing under this return.

Your Signature (If joint return, both must sign.)

Spouse's Signature

Date Signed

Telephone Number (daytime)

Typed or Printed Name of Preparer Other than Taxpayer

L.D. Number of Preparer

Date

Firm Name

EIN

Date

Mail to:

REFUNDS

Kentucky Department of Revenue, Frankfort, KY 40618-0006.



PAYMENTS

Kentucky Department of Revenue, Frankfort, KY 40619-0008.

| Official Use Only |    |    |   |   |     |
|-------------------|----|----|---|---|-----|
| EST               | CF | NT | P | B | F R |



FORM 740-NP (2010)



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## SECTION D

## INCOME

|                              |  | A.Total from Attached Federal Return |    | B. Kentucky |     |
|------------------------------|--|--------------------------------------|----|-------------|-----|
| 1                            | Enter all wages, salaries, tips, etc. (attach wage and tax statements) Do not include moving expense reimbursements.....   | 00                                   |    | 00          |     |
| 2                            | Moving expense reimbursement (attach Schedule ME) .....  | 00                                   |    | 00          |     |
| 3                            | Interest.....  | 00                                   |    | 00          |     |
| 4                            | Dividends.....   | 00                                   |    | 00          |     |
| 5                            | Taxable refunds, credits or offsets of state and local income taxes.....   | 00                                   |    | 00          |     |
| 6                            | Alimony received.....  | 00                                   |    | 00          |     |
| 7                            | Business income or loss (attach federal Schedule C or C-EZ) .....  | 115,430                              | 00 | 34,120      | 00  |
| 8                            | Capital gain or loss (attach federal Schedule D) .....   | 00                                   |    | 00          |     |
| 9                            | Other gains or losses (attach federal Form 4797) .....   | 00                                   |    | 00          |     |
| 10(a)                        | Federally taxable IRA distributions, pensions and annuities .....  | 00                                   |    | 00          |     |
| 10(b)                        | Pension income exclusion (attach Schedule P if more than \$41,110) .....   |                                      |    | (           | 00) |
| 11                           | Rents, royalties, partnerships, estates, trusts, etc. (attach federal Schedule E).....   | 00                                   |    | 00          |     |
| 12                           | Farm income or loss (attach federal Schedule F) .....  | 00                                   |    | 00          |     |
| 13                           | Unemployment compensation (see instructions).....  | 00                                   |    | 00          |     |
| 14                           | Taxable Social Security benefits .....   | 00                                   |    |             |     |
| 15                           | Gambling winnings .....  | 00                                   |    | 00          |     |
| 16                           | Other income (list type and amount) .....  | 00                                   |    | 00          |     |
| 17                           | Combine lines 1 through 16. This is your Total Income .....  | 115,430                              | 00 | 34,120      | 00  |
| <b>ADJUSTMENTS TO INCOME</b> |  |                                      |    |             |     |
| 18                           | RESERVED .....   | 00                                   |    | 00          |     |
| 19                           | Certain business expenses of reservists, performing artists and fee-basis government officials (attach federal Form 2106 or 2106-EZ) .....   | 00                                   |    | 00          |     |
| 20                           | Health savings account deduction (attach federal Form 8889) .....  | 5,402                                | 00 | 00          |     |
| 21                           | Moving expenses (attach Schedule ME) .....   | 00                                   |    | 00          |     |
| 22                           | Deduction for one-half of self-employment tax .....  | 00                                   |    | 00          |     |
| 23                           | Self-employed SEP, SIMPLE, and qualified plans deduction .....   | 00                                   |    | 00          |     |
| 24                           | Self-employed health insurance deduction.....  | 00                                   |    |             |     |
| 25                           | Penalty on early withdrawal of savings .....   | 00                                   |    | 00          |     |
| 26                           | Alimony paid (enter recipient's name and Social Security number) .....   | 00                                   |    | 00          |     |
| 27                           | IRA deduction.....   | 00                                   |    | 00          |     |
| 28                           | Student loan interest deduction .....  | 00                                   |    | 00          |     |
| 29                           | RESERVED .....   | 00                                   |    | 00          |     |
| 30                           | Domestic production activities deduction .....   | 00                                   |    | 00          |     |
| 31                           | Long-term care insurance premiums (see instructions).....  |                                      |    | 2,000       | 00  |
| 32                           | Health insurance premiums (see instructions).....  |                                      |    | 2,082       | 00  |
| 33                           | Other deductions (list type and amount) .....  | 00                                   |    | 00          |     |
| 34                           | Add lines 18 through 33. Total Adjustments to Income .....   | 5,402                                | 00 | 4,082       | 00  |
| 35                           | Subtract line 34 from line 17. This is your Adjusted Gross Income .....  | 110,028                              | 00 | 30,038      | 00  |
| 36                           | Divide line 35, Column B, by line 35, Column A. If amount is equal to or greater than 100%, enter 100%. This is your Percentage of Kentucky Adjusted Gross Income to Federal Adjusted Gross Income ..... | 27 . 3 %                             |    |             |     |

**Example 4****Fact Pattern:**

Frank and Michele Gehry moved into Kentucky from Colorado because of a job transfer. Because the move occurred early in the year, the majority of the Gehry's income was earned while residents of Kentucky.

**740-NP**42A740-NP  
Department  
of RevenueCheck if return is:  
☐ Amended (Attach  
copy of original return.)KENTUCKY INDIVIDUAL  
INCOME TAX RETURN  
Nonresident or Part-Year Resident**2010**

For calendar year or other taxable year beginning \_\_\_\_\_, 2010, and ending \_\_\_\_\_, 20\_\_\_\_

|   |  |  |                          |
|---|--|--|--------------------------|
| A. Spouse's Social Security Number<br><b>041-74-8383</b>  |  | B. Your Social Security Number<br><b>120-56-5777</b> |                          |
| Name—Last, First, Middle Initial (Joint or combined return, give both names and initials.)<br><b>Gehry, Frank J. &amp; Michele M.</b> |  |  |                          |
| Mailing Address (Number and Street or P.O. Box)<br><b>2017 Pension Lane</b>   |  | Apartment Number                                     |                          |
| City, Town or Post Office<br><b>Hebron</b>  |  | State<br><b>KY</b>                                   | ZIP Code<br><b>41048</b> |

|                                     |  |   |   |   |                              |
|-------------------------------------|--|---|---|---|------------------------------|
| FILING STATUS<br>(see instructions) | 1 <input type="checkbox"/> Single  | POLITICAL PARTY FUND<br>Designating \$2 will not change your refund or tax due.   |   |   |                              |
|                                     | 2 <input checked="" type="checkbox"/> Married, filing joint return.  | A. Spouse B. Yourself   |   |   |                              |
|                                     | 3 <input type="checkbox"/> Married, filing separate returns. Enter spouse's Social Security number above and full name here.   | Democratic (1) <input type="checkbox"/>   | (4) <input type="checkbox"/>            | Republican (2) <input type="checkbox"/> | (5) <input type="checkbox"/> |
|                                     |  | No Designation (3) <input checked="" type="checkbox"/>  | (6) <input checked="" type="checkbox"/> |   |                              |
| RESIDENCY STATUS<br>(check one box) | 4 <input type="checkbox"/> Full-year nonresident. I did not live in Kentucky during the year. Enter state of residence as of December 31, 2010 _____.  |   |   |   |                              |
|                                     | 5 <input checked="" type="checkbox"/> Part-year resident. Complete appropriate line(s) below.<br>Moved into Kentucky <u>4</u> / <u>05</u> / <u>10</u> . State moved from <u>Colorado</u> .<br>Moved out of Kentucky <u>      </u> / <u>      </u> / <u>10</u> . State moved to <u>      </u> . |   |   |   |                              |
|                                     | 6 <input type="checkbox"/> Full-year resident of a reciprocal state with Kentucky income of wages and salaries only. Circle the state of residence.  | <input type="checkbox"/> IL <input type="checkbox"/> IN <input type="checkbox"/> MI <input type="checkbox"/> OH <input type="checkbox"/> VA <input type="checkbox"/> WV <input type="checkbox"/> WI |   |   |                              |

➔ COMPLETE SECTIONS A, B, C AND D ON PAGES 2 THROUGH 4 BEFORE COMPLETING LINES 7 THROUGH 30.

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1 2 3 4 5

|            |  |    |  |
|------------|--|----|--|
| INCOME/TAX |  |    |  |
| 7          | Enter percentage from page 4, line 36..... ➔   | 7  | <u>85.0</u> %  |
| 8          | Enter amount from page 4, line 35, Column A. This is your Federal Adjusted Gross Income .....                      | 8  | <u>56,113</u> 00   |
| 9          | Enter amount from page 4, line 35, Column B. This is your Kentucky Adjusted Gross Income .....                     | 9  | <u>47,742</u> 00   |
| 10         | Nonitemizers: Enter \$2,210 (do not prorate). Skip lines 11 and 12 .....   | 10 | <u>2,210</u> 00  |
| 11         | Itemizers: Enter itemized deductions from Kentucky Schedule A, Form 740-NP .....                                   | 11 | <u>00</u>  |
| 12         | Multiply line 11 by the percentage on line 7.....  | 12 | <u>00</u>  |
| 13         | Subtract line 10 or 12 from line 9. This is your Taxable Income .....  | 13 | <u>45,532</u> 00   |
| 14         | Enter tax from Tax Table.....  | 14 | <u>2,458</u> 00  |
| 15         | Enter amount from page 2, Section A, line 19.....  | 15 | <u>1,231</u> 00  |
| 16         | Subtract line 15 from line 14.....   | 16 | <u>1,227</u> 00  |
| 17         | Enter personal tax credit amounts from page 3, Section B, line 4   .....   | 17 | <u>80</u> 00   |
| 18         | Multiply line 17 by the percentage on line 7.....  | 18 | <u>68</u> 00   |
| 19         | Subtract line 18 from line 16.....   | 19 | <u>1,159</u> 00  |
| 20         | Check the box that represents your total family size (see instructions for lines 20 and 21) .....                  | 20 | 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input checked="" type="checkbox"/> |
| 21         | Multiply line 19 by the Family Size Tax Credit decimal amount <u>      </u> ( <u>      </u> %) and enter here..... | 21 | <u>0</u> 00  |
| 22         | Subtract line 21 from line 19.....   | 22 | <u>1,159</u> 00  |
| 23         | Enter the Education Tuition Tax Credit from Form 8863-K.....   | 23 | <u>0</u> 00  |
| 24         | Subtract line 23 from line 22.....   | 24 | <u>1,159</u> 00  |
| 25         | Enter Child and Dependent Care Credit from worksheet in the instructions .....                                     | 25 | <u>0</u> 00  |
| 26         | Subtract line 25 from line 24.....   | 26 | <u>1,159</u> 00  |
| 27         | Enter the New Home Tax Credit (see instructions).....  | 27 | <u>0</u> 00  |
| 28         | Income Tax Liability. Subtract line 27 from line 26. If line 27 is larger than line 26, enter zero.....            | 28 | <u>1,159</u> 00  |
| 29         | Enter KENTUCKY USE TAX from worksheet in the instructions .....  | 29 | <u>0</u> 00  |
| 30         | Add lines 28 and 29. Enter here and on page 2, line 31 .....   | 30 | <u>1,159</u> 00  |

Attach Form W-2(s), Other Supporting Statement(s) and Payment Here—Staple to Top Page Only



FORM 740-NP (2010)



Page 2 of 4

## REFUND/TAX PAYMENT SUMMARY

|   |   |         |       |                   |
|---|---|---------|-------|-------------------|
| 31  | Enter amount from page 1, line 30. This is your <b>Total Tax Liability</b> .....  | • 31    | 1,159 | 00                |
| 32  | (a) Enter <b>Kentucky income tax withheld</b> as shown on attached 2010 Form W-2(s) and other supporting statements ..... | • 32(a) | 00    |                   |
|   | (b) Enter 2010 Kentucky estimated tax payments .....  | • 32(b) | 00    |                   |
|   | (c) Enter 2010 refundable certified rehabilitation credit (KRS 141.382(1)(b)) .....                                       | • 32(c) | 00    |                   |
|   | (d) Enter 2010 film industry tax credit (KRS 141.383) .....   | • 32(d) | 00    |                   |
|   | (e) Enter <b>Nonresident Withholding</b> from Form PTE-WH, line 9 (KRS 141.206(4)(b)(1)) .....                            | • 32(e) | 00    |                   |
| 33  | Add lines 32(a) through 32(e) .....   | • 33    |       | 00                |
| 34  | If line 33 is larger than line 31, enter <b>AMOUNT OVERPAID</b> (see instructions) .....                                  | 34      |       | 00                |
| <i>Fund Contributions; See instructions.</i>  |   |         |       |                   |
| ➤ (Enter amount(s) checked)   |   |         |       |                   |
| 35  | Nature and Wildlife Fund .....  | \$10    | \$25  | \$50              |
| 36  | Child Victims' Trust Fund .....   | \$10    | \$25  | \$50              |
| 37  | Veterans' Program Trust Fund .....  | \$10    | \$25  | \$50              |
| 38  | Breast Cancer Research/Education Trust Fund .....   | \$10    | \$25  | \$50              |
| 39  | Add lines 35 through 38 .....   | 39      |       | 00                |
| 40  | Amount of line 34 to be <b>CREDITED TO YOUR 2011 ESTIMATED TAX</b> .....  | • 40    |       | 00                |
| 41  | Subtract lines 39 and 40 from line 34. Amount to be <b>REFUNDED TO YOU</b> .....  | REFUND  | • 41  | 00                |
| 42  | If line 31 is larger than line 33, enter <b>ADDITIONAL TAX DUE</b> .....  | • 42    | 1,159 | 00                |
| 43  | (a) Estimated tax penalty and/or interest. <input checked="" type="checkbox"/> Check if Form 2210-K attached....          | • 43(a) | 119   | 00                |
|   | (b) Interest .....  | • 43(b) | 00    |                   |
|   | (c) Late payment penalty .....  | • 43(c) | 00    |                   |
|   | (d) Late filing penalty .....   | • 43(d) | 00    |                   |
| 44  | Add lines 43(a) through 43(d). Enter here .....   | • 44    | 119   | 00                |
| 45  | Add lines 42 and 44 and enter here. This is the <b>AMOUNT YOU OWE</b> .....   | OWE     | • 45  | 1,278 00          |
| <ul style="list-style-type: none"> <li>Make check payable to <b>Kentucky State Treasurer</b> or visit <a href="http://www.revenue.ky.gov">www.revenue.ky.gov</a> for more options.</li> <li>Write your Social Security number and "KY Income Tax—2010" on the check.</li> </ul> |   |         |       |                   |
|   |   |         |       | OFFICIAL USE ONLY |
|   |   |         |       | PWR               |

## SECTION A—BUSINESS INCENTIVE AND OTHER TAX CREDITS

|    |  |    |       |    |
|----|--|----|-------|----|
| 1  | Enter nonrefundable limited liability entity credit (KRS 141.0401(2)) (attach Kentucky Schedule(s) K-1 or Form(s) 725) ..... | 1  |       | 00 |
| 2  | Enter skills training investment credit (attach copy(ies) of certification) .....  | 2  |       | 00 |
| 3  | Enter nonrefundable certified rehabilitation credit (KRS 171.397(1)(a)) .....  | 3  |       | 00 |
| 4  | Enter credit for tax paid to another state (attach copy of other state's return(s)) .....                                    | 4  | 1,231 | 00 |
| 5  | Enter unemployment credit (attach Schedule UTC) .....  | 5  |       | 00 |
| 6  | Enter recycling and/or composting equipment credit (attach Schedule RC) .....  | 6  |       | 00 |
| 7  | Enter Kentucky Investment Fund credit (attach copy(ies) of certification) .....  | 7  |       | 00 |
| 8  | Enter coal incentive credit .....  | 8  |       | 00 |
| 9  | Enter qualified research facility credit (attach Schedule QR) .....  | 9  |       | 00 |
| 10 | Enter GED incentive credit (attach Form DAEL-31) .....   | 10 |       | 00 |
| 11 | Enter voluntary environmental remediation credit (attach Schedule VERB) .....  | 11 |       | 00 |
| 12 | Enter biodiesel and renewable diesel credit .....  | 12 |       | 00 |
| 13 | Enter environmental stewardship credit .....   | 13 |       | 00 |
| 14 | Enter clean coal incentive credit .....  | 14 |       | 00 |
| 15 | Enter ethanol credit (attach Schedule ETH) .....   | 15 |       | 00 |
| 16 | Enter cellulosic ethanol credit (attach Schedule CELL) .....   | 16 |       | 00 |
| 17 | Enter energy efficiency products credit (attach Form 5695-K) .....   | 17 |       | 00 |
| 18 | Enter railroad maintenance and improvement credit (attach Schedule RR-I) .....   | 18 |       | 00 |
| 19 | Add lines 1 through 18. Enter here and on page 1, line 15 .....  | 19 | 1,231 | 00 |

FORM 740-NP (2010)



Page 3 of 4

**SECTION B—PERSONAL TAX CREDITS**

Check Regular

Check both if 65 or over

Check both if blind

1 (a) Credits for yourself:



(b) Credits for spouse:



1 Enter number of boxes checked on line 1 .....

2

2 Dependents:

2 Enter number of dependents who:

| First name | Last name | Dependent's Social Security number | Dependent's relationship to you | Check if qualifying child for family size tax credit |
|------------|-----------|------------------------------------|---------------------------------|--|
| Devon      | Gehry     | 215-75-5593                        | Son                             | <input checked="" type="checkbox"/>                  |
| McKenna    | Gehry     | 651-56-6135                        | Daughter                        | <input checked="" type="checkbox"/>                  |
|            |           |                                    |                                 | <input type="checkbox"/>                             |
|            |           |                                    |                                 | <input type="checkbox"/>                             |

• lived with you .....

2

• did not live with you (see instructions) .....

• other dependents .....

3 Add lines 1 and 2 and enter here.....

• 3 4

x \$20

4 Multiply credits on line 3 by \$20. Enter here and on page 1, line 17.....

4 80

**SECTION C—FAMILY SIZE TAX CREDIT** (List the name and Social Security number of qualifying children that are not claimed as dependents in Section B.)

| First name | Last name | Social Security number | First name | Last name | Social Security number |
|------------|-----------|------------------------|------------|-----------|------------------------|
|            |           |                        |            |           |                        |
|            |           |                        |            |           |                        |

*A copy of pages 1 and 2 of your federal income tax return and all supporting schedules must be attached to Kentucky Form 740-NP.*

I, the undersigned, declare under penalties of perjury that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. I also understand and agree that our election to file a combined return under the provisions of Regulation 103 KAR 17:020 will result in refunds being made payable to us jointly and in each of us being jointly and severally liable for all taxes accruing under this return.

Your Signature (If joint return, both must sign.)

Spouse's Signature

Date Signed

Telephone Number (daytime)

Typed or Printed Name of Preparer Other than Taxpayer

I.D. Number of Preparer

Date

Firm Name

EIN

Date

Mail to:

REFUNDS

Kentucky Department of Revenue, Frankfort, KY 40618-0006.



PAYMENTS

Kentucky Department of Revenue, Frankfort, KY 40619-0008.

Official Use Only

EST CF NT P B F R

FORM 740-NP (2010)

Page 4 of 4


**SECTION D**  
**INCOME**

|                              |  | A.Total from Attached Federal Return |    | B.Kentucky |    |
|------------------------------|--|--------------------------------------|----|------------|----|
| 1                            | Enter all wages, salaries, tips, etc. (attach wage and tax statements) Do not include moving expense reimbursements.....   | 56,113                               | 00 | 47,742     | 00 |
| 2                            | Moving expense reimbursement (attach Schedule ME) .....  |                                      | 00 |            | 00 |
| 3                            | Interest.....  |                                      | 00 |            | 00 |
| 4                            | Dividends.....   |                                      | 00 |            | 00 |
| 5                            | Taxable refunds, credits or offsets of state and local income taxes.....   |                                      | 00 |            | 00 |
| 6                            | Alimony received.....  |                                      | 00 |            | 00 |
| 7                            | Business income or loss (attach federal Schedule C or C-EZ) .....  |                                      | 00 |            | 00 |
| 8                            | Capital gain or loss (attach federal Schedule D) .....   |                                      | 00 |            | 00 |
| 9                            | Other gains or losses (attach federal Form 4797) .....   |                                      | 00 |            | 00 |
| 10                           | (a) Federally taxable IRA distributions, pensions and annuities .....  |                                      | 00 |            | 00 |
|                              | (b) Pension income exclusion (attach Schedule P if more than \$41,110) .....   |                                      |    |            | 00 |
| 11                           | Rents, royalties, partnerships, estates, trusts, etc. (attach federal Schedule E).....   |                                      | 00 |            | 00 |
| 12                           | Farm income or loss (attach federal Schedule F) .....  |                                      | 00 |            | 00 |
| 13                           | Unemployment compensation (see instructions).....  |                                      | 00 |            | 00 |
| 14                           | Taxable Social Security benefits .....   |                                      | 00 |            | 00 |
| 15                           | Gambling winnings .....  |                                      | 00 |            | 00 |
| 16                           | Other income (list type and amount) .....  |                                      | 00 |            | 00 |
| 17                           | Combine lines 1 through 16. This is your Total Income .....  | 56,113                               | 00 | 47,742     | 00 |
| <b>ADJUSTMENTS TO INCOME</b> |  |                                      |    |            |    |
| 18                           | RESERVED .....   |                                      | 00 |            | 00 |
| 19                           | Certain business expenses of reservists, performing artists and fee-basis government officials (attach federal Form 2106 or 2106-EZ) .....   |                                      | 00 |            | 00 |
| 20                           | Health savings account deduction (attach federal Form 8889) .....  |                                      | 00 |            | 00 |
| 21                           | Moving expenses (attach Schedule ME) .....   |                                      | 00 |            | 00 |
| 22                           | Deduction for one-half of self-employment tax .....  |                                      | 00 |            | 00 |
| 23                           | Self-employed SEP, SIMPLE, and qualified plans deduction .....   |                                      | 00 |            | 00 |
| 24                           | Self-employed health insurance deduction.....  |                                      | 00 |            | 00 |
| 25                           | Penalty on early withdrawal of savings .....   |                                      | 00 |            | 00 |
| 26                           | Alimony paid (enter recipient's name and Social Security number) .....   |                                      | 00 |            | 00 |
| 27                           | IRA deduction.....   |                                      | 00 |            | 00 |
| 28                           | Student loan interest deduction .....  |                                      | 00 |            | 00 |
| 29                           | RESERVED .....   |                                      | 00 |            | 00 |
| 30                           | Domestic production activities deduction .....   |                                      | 00 |            | 00 |
| 31                           | Long-term care insurance premiums (see instructions).....  |                                      | 00 |            | 00 |
| 32                           | Health insurance premiums (see instructions).....  |                                      | 00 |            | 00 |
| 33                           | Other deductions (list type and amount) .....  |                                      | 00 |            | 00 |
| 34                           | Add lines 18 through 33. Total Adjustments to Income .....   |                                      | 00 |            | 00 |
| 35                           | Subtract line 34 from line 17. This is your Adjusted Gross Income .....  | 56,113                               | 00 | 47,742     | 00 |
| 36                           | Divide line 35, Column B, by line 35, Column A. If amount is equal to or greater than 100%, enter 100%. This is your Percentage of Kentucky Adjusted Gross Income to Federal Adjusted Gross Income ..... | 85 . 0 %                             |    |            |    |



## **Appendix**



**141.010 Definitions for chapter.**

As used in this chapter, unless the context requires otherwise:

- (17) "Resident" means an individual domiciled within this state or an individual who is not domiciled in this state, but maintains a place of abode in this state and spends in the aggregate more than one hundred eighty-three (183) days of the taxable year in this state;
- (18) "Nonresident" means any individual not a resident of this state;

**03 KAR 17:010. Residence.**

RELATES TO: **KRS 141.020**

STATUTORY AUTHORITY: KRS Chapter 13A

NECESSITY, FUNCTION, AND CONFORMITY: This administrative regulation provides guidelines for determining whether a person qualifies as a resident or nonresident for Kentucky income tax purposes and provides special instruction to cover some of the more common problem areas.

**Section 1. Resident.** "Resident" means any individual domiciled within Kentucky on the last day of the taxable year and includes any individual who spends more than 183 days in Kentucky and maintains a place of abode in Kentucky during this period. All other individuals are nonresidents.

**Section 2. Nonresident Requirements.** To qualify as a nonresident, the taxpayer shall submit proof of his bona fide intention to reside permanently elsewhere before the last day of the taxable year, and that he has spent less than 183 days in Kentucky. If any person who has moved out of Kentucky returns to Kentucky within six (6) months from the time he had moved, it shall be construed that the removal from Kentucky was not intended to be permanent and such person shall be considered a resident during the time in which his abode may have been elsewhere. Any person changing his domicile during a taxable year may also be required to furnish evidence of compliance with requirements of the other state with respect to taxation and qualifications as a resident citizen. Persons residing in Kentucky and living part of the year in other states will be considered residents of Kentucky unless it can be shown that abode in another state is of permanent nature, and that less than 183 days were spent in Kentucky.

**Section 3. Domicile.** Generally, a domicile is the place where an individual has established permanent resident. A domicile once obtained continues until a new one is acquired. Domicile is not changed by removal for a definite period or for incidental purposes. To constitute a change, there must be intent to change, actual removal, and a new abode.

**Section 4. Nonresident Citizens.** An individual residing in a foreign country who is permitted to file federal income tax returns as a nonresident citizen, and who immediately prior to residing in a foreign country was domiciled in Kentucky, is presumed to be a Kentucky resident and is required to file a resident Kentucky income tax return. Such individual may, however, overcome this presumption by presenting sufficient evidence that the Kentucky domicile has been abandoned.

**Section 5. Federal Employees.** Federal employees working outside of Kentucky but having a domicile in Kentucky are taxable as residents. Such persons, once domiciled in Kentucky, are considered Kentucky a resident if a domicile has not been established elsewhere. If the individual's domicile is claimed to be outside Kentucky, the requirements of Section 3 of this administrative regulation must be met.

**Section 6. Military Personnel.** Under the provisions of the Soldiers' and Sailors' Civil Relief Act of 1940 as amended, a member of the Armed Forces retains the domicile which he had when he entered military service. Persons domiciled in Kentucky at the time of induction will continue to be liable for the payment of Kentucky income taxes on all income regardless of where their military services are performed. However, military personnel (usually career personnel) may change their domicile from Kentucky to another state as any other individual. Conclusive evidence must be submitted showing that their Kentucky domicile has been abandoned and a new domicile established in another state.

**Section 7. Reciprocity States.** (1) Kentucky has reciprocal tax agreements with the states of Indiana, Illinois, Michigan, Ohio, Virginia, West Virginia, and Wisconsin. These agreements provide that salaries and wages earned in Kentucky by residents of those states are exempt from Kentucky income tax. Kentucky residents are exempt from income tax, imposed by such states, on salaries and wages earned there. The Virginia Agreement, however, applies only to taxpayers who commute daily to their employment in the nonresident state.

(2) A Kentucky resident, working in one (1) of the states listed above, must file the required certificate of nonresidence with his employer. That certificate is the employer's authority to exempt the employee's income from withholding. A resident of a state listed above must file Revenue Form 41A809, Certificate of Nonresidence, with his Kentucky employer to exempt his income from Kentucky withholding. (II-1-1; 1 Ky.R. 328; eff. 2-5-75; Am. 10 Ky.R. 43; eff. 8-3-83.)